public
accounts
2001-02

volume 4 — the financial statements of funds, organizations, agencies and enterprises included in the government reporting entity

Manitoba
Finance

for the year ended March 31, 2002

103-03251/

VOLUME 4

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INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 2002 consist of four volumes:

Volume 1

- This is included in the government's Annual Report
- Section 1 focuses on the entire reporting entity and includes the Summary Financial Statements of the government.
- Section 2 consists of the special purpose financial statements prepared for the Operating Fund. This section focuses on the government's stewardship over the assets and operations of central government. Performance is related to the legislative authorities provided by the annual appropriation of funds by the Legislature through the Estimates process.

Volume 2

- Contains the audited Schedule of Public Sector Compensation Payments of $50,000 or more as paid through the Consolidated Fund as well as those paid by Special Operating Agencies.
- Contains details of unaudited Consolidated Fund and Special Operating Agencies payments in excess of $5000 to corporations, firms, individuals, other governments and government agencies.

Volume 3

- Contains the details of the Operating Fund Financial Statements.
- Contains the details of the Operating Fund borrowings and guarantees.
- Contains the details of the Operating Fund revenue and expenditure.
- Contains information provided under Statutory Requirement.
- Contains information concerning certain Operating Fund financial indicators.
- Contains glossary information.

These statements are all unaudited with the exception of the following:

- The Report of Amounts Paid to Members of the Assembly; and
- The Northern Affairs Fund

Volume 4

- Contains the audited financial statements of funds, organizations, agencies and enterprises included in the Government Reporting Entity.

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SPECIAL FUNDS

THE ABANDONMENT FUND RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2002
(with comparative figures for the year ended March 31, 2001)

	2002 $	2001 $
Balance, beginning of year	187,597	138,199
RECEIPTS:		
Royalties	48,700	47,100
Other Recoveries	22,490	-
Interest	5,347	3,872
	76,537	50,972
DISBURSEMENTS:		
Rehabilitation payments	247	1,574
Balance, end of year	263,887	187,597

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

I have audited the statement of financial position of the Debt Retirement Fund as at March 31, 2002 and the statement of revenue and expense and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
September 17, 2002

Jon W. Singleton, CA•CISA
Auditor General

DEBT RETIREMENT FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2002
(in thousands)

	2002 $	2001 $
ASSETS		
Funds on Deposit with the Minister of Finance	100,444	75,227
FUND BALANCE		
Fund Balance	100,444	75,227

DEBT RETIREMENT FUND
STATEMENT OF REVENUE AND EXPENSE AND FUND BALANCE

For the Year Ended March 31, 2002
(in thousands)

	2002 $	2001 $
REVENUE		
Interest Earnings	3,860	227
Transfer from the Operating Fund (Note 2)	96,357	96,357
	100,217	96,584
EXPENSE		
Transfers for (Note 2):		
- Pension Obligation	75,000	21,357
	25,217	75,227
Fund Balance, beginning of year	75,227	-
Fund Balance, end of year	100,444	75,227

DEBT RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

1. Incorporation and Function

The Debt Retirement Fund was established under the authority of the Balanced Budget, Debt Repayment and Taxpayer Protection Act, which received Royal Assent on November 3, 1995. The purpose of the Fund was to assist in the orderly repayment of debt pursuant with sections 8(4) and 8(6) of the Act.

On August 18, 2000, the Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act was passed amending The Balanced Budget, Debt Repayment and Taxpayer Protection Act, with related amendments to The Fiscal Stabilization Fund Act and The Financial Administration Act. The Bill changed the name of the Act to The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. This Act is deemed to have come into force on April 1, 2000 and applies to fiscal years commencing after March 31, 2000.

2. Transfer for Debt Retirement and Pension Obligation

The government transferred $96 million to the Debt Retirement Fund from the Operating Fund for the specific purpose of reducing general purpose debt and pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. The transfer was made in accordance with subsection 8(4) of The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. The government transferred $75 million from the Debt Retirement Fund for the specific purpose of reducing pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. This transfer was made in accordance with subsection 8(6) of the Balanced Budget, Debt Repayment and Taxpayer Accountability Act.

3. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

Manitoba Agriculture and Food
Elk Management Fund

Balance Sheet
As at March 31, 2002
(with 2001 figures for comparison)

		2002	2001
Assets - Note 1, 3, 5			
	Funds on deposit with the Province	$ 163,623	$ 250
Liabilities and Fund Balance			
	Contractor liability - Note 5	163,623	
	Loan Advance from the Province - Note 4, 7	1,381,830	750,822
		1,545,453	750,822
	Accumulated Fund Balance - Note 2	(1,381,830)	(750,572)
		$ 163,623	$ 250

Statement of Revenue and Expenditures
For the Year Ended March 31, 2002
(with 2001 figures for comparison)

		2002	2001
Revenue - Note 3			
	Antler Velvet/Elk Manuals		50
	License Fees	3,300	4,250
	Course Registration		800
		3,300	5,100
Expenditures - Note 1			
	Administration	68,443	18,159
	Interest	47,369	34,551
		115,812	52,710
Excess of Expenditures over Revenue		(112,512)	(47,610)
Extraordinary loss - Note 6:			
Loss on Recovery of Expenditures		(96,196)	(326,000)
Loss on Writedown of Inventory to Current Net Realizable Value		(422,550)	(609,486)
Net Expenditures over Revenue after Extraordinary Loss		($631,258)	($983,096)

Notes to Financial Statements
For the Year Ended March 31, 2002

1. Significant Accounting Policies

(a) The financial statements of the fund are prepared using the accrual basis of accounting.
(b) Expenditures related to the capture and holding of elk is capitalized as inventory and will be expensed when the corresponding revenue, from the dispersal of the captured elk, is recognized.
(c) Expenditures that were incurred on behalf of private landowners and Manitoba First Nations Elk and Bison Council (MFNEBC) has been recorded as a receivable.
(d) Captured elk in holding facilities as at March 31, 2002 remain assets of the Crown and therefore have not been included in the value of the inventory.

2. Nature of Fund

The Elk Management Fund was established under the authority of the Livestock Industry Diversification Act and the Elk Game Production Regulation. The Minister established a management fund for the purpose of funding:

(a) Programs for the protection and enhancement of elk and their habitat.
(b) The capture of elk from the wild, and their maintenance and disposition.
(c) Elk research programs and demonstration projects.
(d) Costs associated with administering the Act.

3. Sale of Elk

Due to an extended testing period mandated by the Canadian Food Inspection Agency (CFIA); the sale of elk was delayed. Testing is expected to be complete by the Fall of 2002. The proceeds from the elk sale held in March, 2002 have been set aside to be included as part of the on-going negotiations with MFNEBC.

4. Loan Advance Province of Manitoba

Interest is charged at prime plus two per cent per annum. Repayment of the advances is due to the Province of Manitoba upon the sale of elk.

5. Contractor Liability

This liability is a result of expected obligations the Fund will incur as a result of settlements with private landowners and MFNEBC.

6. Extraordinary Loss

This loss is due to declining elk prices and delay in elk dispersal because of CFIA testing requirements resulting in additional holding and feeding costs, incurring of expenditures on behalf of MFNEBC and the non-recovery of these expenditures from MFNEBC, and private landowner land access payments for the capture of elk. These factors have resulted in the writing down of the Fund inventory to current net realizable value ($422,550) and allowance for non-recovery of receivables ($96,196) arising from expenditures incurred on behalf of MFNEBC for the fiscal year ended. It is expected that the Elk Management Fund will have an accumulated deficit of $1,600,000 by the end of Fiscal 2002/03.

7. Valuation Allowance

Any provincial expenditure entry for a valuation allowance is recorded in the Department's appropriation - Animal Industry (4B).

THE FARM MACHINERY AND EQUIPMENT ACT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2002
(with comparative figures for the year ended March 31, 2001)

	2002 $	2001 $
Balance, beginning of year	454,286	469,286
RECEIPTS:		
Premiums	-	-
DISBURSEMENTS:		
Claims	-	15,000
Balance, end of year	454,286	454,286

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba

I have audited the statement of financial position of the Fiscal Stabilization Fund as at March 31, 2002 and the statement of revenue and expense and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
September 17, 2002

Jon W. Singleton, CA•CISA
Auditor General

FISCAL STABILIZATION FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2002
(in thousands)

	2002 $	2001 $
ASSETS		
Funds on Deposit with the Minister of Finance	247,254	320,494
FUND BALANCE		
Fund Balance	247,254	320,494

FISCAL STABILIZATION FUND
STATEMENT OF REVENUE AND EXPENSE AND FUND BALANCE

For the Year Ended March 31, 2002
(in thousands)

	2002 $	2001 $
REVENUE		
Interest	13,922	15,240
Transfer from the Operating Fund (Note 2)	62,838	40,464
	76,760	55,704
EXPENSE		
Transfer to the Operating Fund (Note 3)	150,000	-
	(73,240)	55,704
Fund Balance, beginning of year	320,494	264,790
Fund Balance, end of year	247,254	320,494

FISCAL STABILIZATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

1. Incorporation and Function

The Fiscal Stabilization Fund was established at March 31, 1989, under the authority of The Fiscal Stabilization Fund Act, which received Royal Assent on December 13, 1989. The legislated purpose of the Fund is to assist in stabilizing the fiscal position of the government from year to year and to improve long-term fiscal planning. Under the provisions of the Act, the government may deposit in the Fund any part of the revenue or other financial assets received in the Operating Fund in any fiscal year and shall credit to the Stabilization Fund any earnings from investment of the Stabilization Fund. All or part of the fund balance can be transferred to the Operating Fund in accordance with the provisions of the Act.

On August 18, 2000, the Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act was passed amending The Balanced Budget, Debt Repayment and Taxpayer Protection Act, with related amendments to The Fiscal Stabilization Fund Act and The Financial Administration Act.

2. Transfer from the Operating Fund

The Balanced Budget, Debt Repayment and Taxpayer Accountability Act and The Fiscal Stabilization Fund Act require any Operating Fund positive balance to be transferred to the Fund until its target level is reached. The Minister of Finance has the authority to transfer additional positive balances to the Fund as he considers appropriate. The target level for the Fiscal Stabilization Fund is a minimum of 5% of the expenses of the Operating Fund or approximately $337 million, based on 2001-2002 expenses. As reported in the Public Accounts of the Province of Manitoba for 2001-2002, the Operating Fund had a positive balance of $63 million which was transferred to the Fiscal Stabilization Fund.

3. Transfer to the Operating Fund

Under section 4 of The Fiscal Stabilization Fund Act, the Minister of Finance, with the approval of the Lieutenant Governor in Council, may transfer once in each fiscal year all or any amounts standing to the credit of the Fund to the Operating Fund to assist in stabilizing the fiscal position of the government.

An anticipated payment from Manitoba Hydro to the Operating Fund for 2001/02 did not receive legislative authorization until August 2002. As a transitional measure, a $150 million transfer was made from the Fund in lieu of the payment from Manitoba Hydro. The Fund will be replenished in 2002/03.

4. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

LAND TITLES ASSURANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2002
(with comparative figures for the year ended March 31, 2001)

	2002 $	2001 $
Balance, beginning of year	300,414	234,340
RECEIPTS:		
Fees	69,321	66,609
DISBURSEMENTS:		
Payments	-	535
Balance, end of year	369,735	300,414

MANITOBA LAW REFORM COMMISSION
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2002
(with comparative figures for the year ended March 31, 2001)

	2002 $	2001 $
Balance, beginning of year	17,064	3,495
RECEIPTS:		
Department of Justice	60,500	85,000
Manitoba Law Foundation	65,000	50,000
	125,500	135,000
DISBURSEMENTS:		
Operating expenses	139,456	121,431
Balance, end of year	3,108	17,064

THE MINING COMMUNITY RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2002
(with comparative figures for the year ended March 31, 2001)

	2002 $	2001 $
Balance, beginning of year	19,519,918	19,313,111
RECEIPTS:		
Transfer of Mining Tax Revenues	226,295	1,340,310
Interest received during the year	664,748	1,078,229
	891,043	2,418,539
DISBURSEMENTS:		
Hudson Bay Mining and Smelting Company Ltd	257,664	-
Local Government District of Lynn Lake	-	40,381
Ruttan Worker Adjustment Committee	40,000	-
Town of Leaf Rapids	-	50,000
Town of Lynn Lake	15,000	15,000
Transfer to General Revenue	2,040,207	2,106,351
	2,352,871	2,211,732
Balance, end of year	18,058,090	19,519,918

THE MINING REHABILITATION FUND RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2002
(with comparative figures for the year ended March 31, 2001)

	2002 $	2001 $
Balance, beginning of year	22,233	-
RECEIPTS:		
Royalties	-	22,000
Interest	770	233
	770	22,233
Balance, end of year	23,003	22,233

THE QUARRY REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2002
(with comparative figures for the year ended March 31, 2001)

	2002 $	2001 $
Balance, beginning of year	4,985,354	5,346,565
RECEIPTS:		
Royalties	1,499,661	1,385,630
Interest	144,968	211,619
	1,644,629	1,597,249
DISBURSEMENTS:		
Rehabilitation payments	1,235,368	1,958,460
Balance, end of year	5,394,615	4,985,354

THE VETERINARY SCIENCE SCHOLARSHIP FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2002
(with comparative figures for the year ended March 31, 2001)

	2002 $	2001 $
Balance, beginning of year	7,895	8,605
RECEIPTS:		
Department of Agriculture - Veterinary Services Branch	7,800	7,800
Repayment of bursaries	6,300	10,240
	14,100	18,040
DISBURSEMENTS:		
Payment of bursaries awarded under the Veterinary Science Scholarship Act	21,970	18,750
Balance, end of year	25	7,895

VICTIMS ASSISTANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2002
(with comparative figures for the year ended March 31, 2001)

	2002 $	2001 $
Balance, beginning of year	1,254,761	905,944
RECEIPTS:		
Surcharge on Provincial Fines	1,309,307	1,153,539
Interest	23,657	28,516
Miscellaneous	-	7,919
	1,332,964	1,189,974
DISBURSEMENTS:		
Operating expenses	1,044,328	841,157
Balance, end of year	1,543,397	1,254,761

CROWN ORGANIZATIONS

PRICEWATERHOUSECOOPERS

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May 24, 2002

Auditors' Report

To the Board of Governors of
Addictions Foundation of Manitoba

We have audited the balance sheet of **Addictions Foundation of Manitoba** as at March 31, 2002 and the statements of revenue and expenditures, changes in net assets, and cash receipts and cash disbursements for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies described in note 2 to the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.

Addictions Foundation of Manitoba

(incorporated under the laws of Manitoba)
Balance Sheet
As at March 31, 2002

	2002 $	2001 $
Assets		
Cash	1,323,667	1,088,600
Accounts receivable	210,331	170,043
Prepaid insurance	9,297	7,920
Capital assets (note 3)	3,027,372	3,084,625
Province of Manitoba vacation pay receivable (note 4)	667,567	667,567
Province of Manitoba severance pay receivable (note 5)	1,153,316	1,153,316
Province of Manitoba long-term pension funding commitments (note 6)	10,460,029	9,555,615
	16,851,579	15,727,686
Liabilities		
Accounts payable and accrued liabilities	386,319	324,869
Accrued vacation pay (note 4)	746,093	706,072
Accrued severance pay (note 5)	1,300,699	1,232,662
Deferred contributions (note 7)	17,725	-
Provision for employee pension benefits (note 6)	10,460,029	9,555,615
	12,910,865	11,819,218
Net Assets		
Net assets invested in capital assets	3,027,372	3,084,625
Net assets internally restricted (note 8)	875,900	664,000
Unrestricted net assets	37,442	159,843
	3,940,714	3,908,468
	16,851,579	15,727,686

Approved by the Board of Directors

Addictions Foundation of Manitoba

Statement of Revenue and Expenditures

For the year ended March 31, 2002

	2002 $	2001 $
Revenue		
Government of the Province of Manitoba operating grant	11,511,600	10,848,000
Government of the Province of Manitoba long-term pension revenue (note 6)	904,414	730,367
Other revenue		
Impaired Drivers Program fees	611,585	611,180
Manitoba Lotteries Corporation Funding	1,753,800	1,654,999
School Support Program	123,900	114,000
Recovery of wages, medical and treatment services and travel expenditures	642,507	592,200
Training course fees	124,997	110,231
Donations	19,489	26,937
Interest	65,789	123,827
Property rental	18,531	24,195
Manitoba Health capital funding	47,065	210,264
Parking rentals	18,372	18,689
Manitoba Government Employees' Union	6,103	5,235
Miscellaneous	13,855	18,888
Conferences	-	54,135
Youth Residential Programs	336,425	311,850
	16,198,432	15,454,997
Expenditures (Schedule)	16,166,186	15,469,115
Excess (deficiency) of revenue over expenditures	32,246	(14,118)

Addictions Foundation of Manitoba

Schedule of Expenditures

For the year ended March 31, 2002

	2002 $	2001 $
Salaries	8,928,980	8,740,080
Wages	1,301,209	1,022,557
Advertising and exhibits	56,615	64,044
Amortization	195,445	180,021
Audio-visual aids	16,580	16,285
Audit	8,350	8,200
Board of Governors' honorarium	10,796	10,329
Books, newspapers and periodicals	37,880	41,154
Courier and freight	21,173	25,222
Educational literature	139,571	133,437
Employee benefits	916,364	832,699
Fees	574,147	461,885
Food supplies	274,888	268,067
Health and post secondary education tax levy	217,540	207,706
Household supplies	68,427	66,342
Materials, repairs and maintenance	367,378	547,126
Medical services and supplies	217,300	225,823
Miscellaneous	19,471	10,699
Pension (note 6)	1,292,235	1,167,112
Postage and telephone	288,518	266,250
Printing, stationery and office supplies	221,548	220,072
Rent, insurance and property taxes	322,420	311,152
Staff development	76,441	54,513
Training	15,811	15,511
Transportation of patients	15,097	16,867
Travel and automobile	361,980	367,906
Utilities	200,022	188,056
	16,166,186	15,469,115

Addictions Foundation of Manitoba

Statement of Changes in Net Assets

For the year ended March 31, 2002

				2002	2001
	Invested in capital assets $	**Internally restricted $**	**Unrestricted $**	**Total $**	**Total $**
Balance - Beginning of year	3,084,625	664,000	159,843	3,908,468	3,922,586
Excess (deficiency) of revenue over expenditures	(195,445)	-	227,691	32,246	(14,118)
Investment in capital assets	138,192	(100,000)	(38,192)	-	-
Internally imposed restrictions (note 8)	-	311,900	(311,900)	-	-
Balance - End of year	3,027,372	875,900	37,442	3,940,714	3,908,468

Addictions Foundation of Manitoba

Statement of Cash Receipts and Cash Disbursements

For the year ended March 31, 2002

	2002 $	2001 $
Cash provided by (used in)		
Operating activities		
Cash receipts from the Government of the Province of Manitoba	11,511,600	10,848,000
Other cash receipts	3,742,130	3,900,210
Cash paid to employees and suppliers	(14,880,471)	(14,678,411)
	373,259	69,799
Investing activities		
Purchase of capital assets	(138,192)	(106,856)
Excess (deficiency) of cash receipts over cash disbursements	235,067	(37,057)
Cash - Beginning of year	1,088,600	1,125,657
Cash - End of year	1,323,667	1,088,600

1 Nature of the Foundation

The Foundation is incorporated under the Addictions Foundation of Manitoba Act. The Foundation is the provincial authority responsible for providing prevention, education and treatment programs related to addictions to individuals and communities; for conducting research into the negative effects of addictions; and in so doing, for promoting the health and well-being of Manitobans. The Foundation is a registered charity within the meaning of the Income Tax Act.

2 Significant accounting policies

a) Government of the Province of Manitoba accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles except as specified by the Government of the Province of Manitoba in the following area:

Pension Costs

In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Foundation contributes 50% of the pension disbursements made to retired employees. Pension costs for the year are pension disbursements made to retired employees as incurred as well as the increase in unfunded pension liabilities during the fiscal year.

The pension liability is determined actuarially every three years with the balances for the intervening years being determined by formulas provided by the actuary. The most recent valuation was completed as at December 31, 1998.

Funding from the Province of Manitoba includes the Foundation's share of provisions recorded for unfunded pension liabilities.

b) Capital assets

Purchased capital assets are recorded at cost and contributed capital assets are recorded at their fair value at the date of contribution. Amortization is provided at the following annual rates:

Buildings	5% declining
Computer equipment	30% declining
Furniture and equipment	20% declining
Leasehold improvements	5% declining

c) Revenue recognition

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

d) Net assets internally restricted

Net assets internally restricted represent commitments for future expenditures on projects and capital expenditures approved in the current year. At the time the commitments are settled, expenditures are recorded in the balance sheet or statement of revenue and expenditures as appropriate and the restrictions are reversed.

3 Capital assets

	2002		2001	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Land	535,065	-	535,065	-
Buildings	3,867,430	2,191,178	3,867,430	2,102,626
Computer equipment	411,815	211,746	297,647	150,467
Furniture and equipment	145,695	72,477	121,671	55,430
Leasehold improvements	621,425	78,657	621,425	50,090
	5,581,430	2,554,058	5,443,238	2,358,613
Net book value		3,027,372		3,084,625

4 Province of Manitoba vacation pay receivable

The Foundation was instructed by the Province of Manitoba to record a receivable from the Province and accrue vacation pay liability as at March 31, 1995 for the amount of $667,567. Any subsequent variances in the vacation pay liability are recorded in the statement of revenue and expenditures as the receivable from the Province will remain fixed.

5 Province of Manitoba severance pay receivable

The Foundation is obligated to pay its employees severance pay upon their retirement. The amount to be paid is based on several factors such as salary and years of service.

The Foundation was instructed by the Province of Manitoba to record a receivable from the Province and accrue severance pay liability as at April 1, 1998 for the amount of $1,153,316. Any subsequent variances in the severance pay liability are recorded in the statement of revenue and expenditures as the receivable from the Province will remain fixed.

6 Province of Manitoba long-term pension funding commitments

The Foundation was instructed by the Province of Manitoba to record a receivable from the Province and accrue a provision for pension costs as at April 1, 2000 for the amount of $8,825,248. During the year, the increase in the pension receivable and pension provision of $904,414 was recorded to The Government of the Province of Manitoba long-term pension funding and the offset as part of pension expense.

7 Deferred contributions

Deferred contributions represent restricted operating funding received in the current period that is related to the subsequent period. Changes in deferred contribution balance are as follows:

	2002 $	2001 $
Balance - beginning of year	-	35,485
Less: Amount recognized as revenue in the year	-	(35,485)
Add: Amount received related to the following year	17,725	-
Balance - end of year	17,725	-

8 Net assets internally restricted

	2002 $	2001 $
Balance - beginning of year	664,000	644,800
Operations		
Internal restrictions applied in current year	(239,000)	(644,800)
Internal restrictions for future years	450,900	664,000
	211,900	19,200
Balance - end of year	875,900	664,000

Restrictions have been made for the following:

	2002 $	2001 $
Gambling evaluation	-	70,000
Youth Residential Program - Stabilization Fund	100,000	100,000
Ontario Health Referrals potential cancellation	325,000	325,000
Information Technology Plan - expansion	155,400	100,000
Youth Services	123,100	55,800
Pathways to a Healthier Workplace Conference	14,800	13,200
Provincial Technology Program	100,000	-
Client Database Software Project	30,000	-
Women Services Inventory Project	14,700	-
Human Resource Information System Project	12,900	-
	875,900	664,000

9 Commitments

Leases

The Foundation leases buildings and equipment under long-term operating leases which expire at various dates between 2002 and 2011. Some of these leases contain renewal options at rates to be negotiated. The following is a schedule by years of future minimum rental repayments required under operating leases that have initial lease terms in excess of one year, as of March 31, 2002:

	$
2003	142,609
2004	111,321
2005	95,261
2006 - 2011	234,074
	583,265

10 Contingent liability

There is one legal claim against the Foundation. The potential liability, if any, to the Foundation is currently not determinable.

MEYERS NORRIS PENNY LLP

To the Members of the Board
Assiniboine Community College

AUDITORS' REPORT

We have audited the statement of financial position as at June 30, 2001 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at June 30, 2001 and the results of its operations, changes in net assets and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP
Chartered Accountants

Brandon, Manitoba
August 28, 2001

A MEMBER OF
SUMMIT INTERNATIONAL ASSOCIATES, INC.

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
1401 PRINCESS AVE., BRANDON, MB R7A 7L7
PH. (204) 727-0661 FAX (204) 726-1543 www.mnp.ca

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2001
(in thousand $)

ASSETS	2001	2000
CURRENT		
Cash and short term investments (note 3)	1,224	2,322
Accounts receivable (note 4)	867	503
Due from Province of Manitoba (note 5)	511	511
Inventories (note 6)	316	224
Prepaids	363	176
	3,281	3,736
NON-CURRENT		
Due from Province of Manitoba (note 5)	1,999	1,979
CAPITAL ASSETS (note 7)		
Land, buildings and equipment	4,129	3,510
Library holdings	959	959
	5,088	4,469
	10,368	10,184

LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (note 8)	2,124	2,117
Deferred revenue (note 9)	400	467
	2,524	2,584
NON-CURRENT		
Accrued severance liability	1,392	1,184
DEFERRED CONTRIBUTIONS		
Deferred contributions related to capital assets (note 10)	2,070	2,085
NET ASSETS		
Net assets invested in capital assets	5,011	3,736
Net assets internally restricted (note 11)	804	1,525
Unrestricted net assets	(1,433)	(930)
	4,382	4,331
	10,368	10,184

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2001
(in thousand $)

	Budget (unaudited)	2001	2000 (restated)
REVENUES			
Academic training fees	2,635	2,241	2,564
Grants	13,829	13,817	12,666
Market driven training	1,100	1,206	1,403
Continuing education	738	670	811
Ancillary services (bookstore)	938	875	941
Apprenticeship training	1,207	1,167	922
Other revenue	360	411	386
Amortization of deferred contributions	656	656	607
	21,463	21,043	20,300
EXPENDITURES			
Academic	12,775	12,328	11,480
Administration	3,628	3,713	3,139
Program support	771	767	684
Plant	1,173	1,227	1,199
Management information services	853	931	859
Library	294	297	253
Ancillary services	795	728	811
Amortization of capital assets	1,049	1,049	917
	21,338	21,040	19,342
EXCESS / (DEFICIENCY) OF REVENUE OVER EXPENDITURES	125	3	958

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2001
(in thousand $)

	INVESTED IN CAPITAL ASSETS	INTERNALLY RESTRICTED	UNRESTRICTED	2001 TOTAL	2000 TOTAL
Balance - beginning of year	3,736	1,525	(930)	4,331	3,373
Excess of revenue over expenditures	-	-	3	3	-
Add: amortization of deferred contributions	656	-	(656)	-	958
Less: amortization of capital assets	(1,049)	-	1,049	-	-
Change in internally restricted net assets	-	(721)	721	-	-
Donated Assets	48	-	-	48	-
Investment in capital assets	1,620	-	(1,620)	-	-
Balance - end of year	5,011	804	(1,433)	4,382	4,331

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2001
(in thousand $)

	2001	2000
Cash from operating activities		
Excess of revenues over expenditures	3	958
Amortization of capital assets	1,049	917
Amortization of deferred capital contributions	(656)	(607)
Loss on disposal of capital assets	45	-
Change in non-cash working capital items	(512)	30
Net cash generated through operating activities	(71)	1,298
Financing and investing activities		
Purchase of capital assets	(1,621)	(1,417)
Contributions received for capital purposes	598	747
Contributions received for capital purposes	(4)	-
Net cash used in financing and investing activities	(1,027)	(670)
Net increase (decrease) in cash and short term investments	(1,098)	628
Cash and short term investments, beginning of year	2,322	1,694
Cash and short term investments, end of year	1,224	2,322

1. OPERATIONS

Assiniboine Community College operates under the authority of The Colleges Act, Chapter C150.1 of the Continuing Consolidation of the Statutes of Manitoba and is a registered charity under the *Income Tax Act.*

In accordance with the activities or objectives specified by donors and other sources outside the College, and in keeping with their mandate to operate the College, the Board of Governors may approve transfers between funds to achieve the financial objectives of the College. Effective June 1998, the Assiniboine Community College Foundation was created to administer the collection and disbursement of endowment funds and undertake fundraising events.

2. SIGNIFICANT ACCOUNTING POLICIES

GENERAL

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles for non-profit organizations and recommendations set forth by the Canadian Association of University Business Officers. Significant accounting policies are as follows:

INVESTMENTS

Investments are recorded at the lower of cost or market value.

INVENTORIES

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided using the straight-line method at 20% per annum. No amortization is taken in the year of acquisition. Contributed capital assets are recorded at the fair value at the date of contribution.

A base library was established as at April 1, 1993. Library holdings are accounted for using the "base stock" method with current library acquisitions not capitalized because annual library acquisitions net of annual library dispositions are not significant.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LEASES

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. The College evaluates all leases at the inception of the lease agreement to determine if it should be classified as a capital or operating lease. Where a capital lease is identified, the amount of the payment made each year is capitalized and amortized using the straight-line method over the lesser of five years or the remaining lease term. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

REVENUE RECOGNITION

The College uses the deferral method of accounting for contributions. Restricted contributions are deferred and matched with related expenses as incurred.

DEFERRED REVENUE

Revenue received in the current year, but not spent until the following fiscal year, is deferred and matched with the related expenditures.

DONATIONS

Donations are reported when received. Donations of capital assets are reported at fair market value.

FINANCIAL INSTRUMENTS

The College's financial instruments include accounts receivable and payable with short and long-term maturities. Unless otherwise noted, it is management's opinion that the College is not exposed to significant interest rate and credit risks arising from these instruments. Accounts receivable are not concentrated to any one or group of students or organizations. Likewise, trade payables are subject to normal credit terms and are not concentrated to any one or group of suppliers. Amounts relating to severance and vacation liabilities are not subject to interest, penalties or set terms of repayment.

ASSINIBOINE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(in thousand $)

3. CASH AND SHORT TERM INVESTMENTS

Cash and short-term investments are summarized as follows:

	2001	2000
Cash	361	351
Term deposits - Department of Finance	863	1,971
	1,224	2,322

4. ACCOUNTS RECEIVABLE

	2001	2000
Accounts receivable are summarized as follows:		
Tuition and contract training	810	479
Goods and Services Tax rebate	52	28
Accountable advances and computer loans	5	1
	867	508
Less: allowance for doubtful accounts	-	(5)
	867	503

5. DUE FROM PROVINCE OF MANITOBA

The amounts due from the Province of Manitoba are summarized as follows:

	2001	2000
Current		
Property taxes	331	331
Accommodation cost recovery system	180	180
	511	511
Non-current		
Vacation pay	875	875
Severance pay	1,124	1,104
	1,999	1,979
	2,510	2,490

The amounts due from the Province of Manitoba relating to pre 1998 severance and vacation pay have been guaranteed by the Province. These amounts receivable are non-interest bearing and currently have no set terms of repayment.

6. INVENTORIES

	2001	2000
Books and supplies	316	224

7. CAPITAL ASSETS

	2001	2000
The following is a continuity of capital assets:		
Net book value, beginning of year	3,510	2,907
Add: Purchases	1,620	1,417
Donated assets	48	103
Net additions for the year	1,668	1,520
Less: current year amortization	(1,049)	(917)
Net book value, end of year	4,129	3,510
Library holdings, at estimated value	959	959

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2001	2000
Payables are summarized as follows:		
Trade payables	872	995
Less: supplier overpayments and textbook returns	(87)	(160)
Net trade payables	785	835
Employee benefits and accrued wages	-	63
Accrued vacation pay	1,339	1,219
	2,124	2,117

ASSINIBOINE COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2001
(in thousand $)

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9. DEFERRED REVENUE

	2001	2000
Deferred revenue is summarized as follows:		
Tuition and commitment fees	248	207
Contract training fees	95	220
Classroom rentals, parking and other deferrals	32	40
Grant Feasibility Study BMHC	25	-
	400	467

10. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions that were used to purchase the College's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

	2001	2000
The following is a continuity of deferred contributions:		
Balance, beginning of year	2,085	1,842
Add: Capital contributions during the year:		
Government grant	598	598
New initiatives	-	149
Contributed net assets	48	103
Net additions for the year	646	850
Less: Current year amortization	(656)	(607)
Release of deferred contributions	(5)	-
	(661)	(607)
Net book value, end of year	2,070	2,085

11. NET ASSETS INTERNALLY RESTRICTED

The following surplus appropriations/disbursements were approved by the Board of Governors during the year:

	General Operating Reserve	General Capital Reserve	General Technology Reserve	Total Reserve
OPENING BALANCE	400	450	675	1,525
WITHDRAWALS FROM RESERVE				
Lower Level Development (Cost share MGS)	-	(150)	-	(150)
Windows and Office 2000	-	-	(200)	(200)
Welding Shop Project	-	(150)	-	(150)
Facility Renovations	-	(100)	-	(100)
MIS Implementation Plan	-	-	(121)	(121)
Total Withdrawals	-	(400)	(321)	(721)
ENDING BALANCE	400	50	354	804

12. COMMITMENTS

The College has entered into various leases for classroom space, office equipment and a maintenance agreement for the Colleague computer system. The following represents the future payments:

2001/2002	207
2002/2003	170
2003/2004	91

13. PENSION COSTS AND OBLIGATIONS

The College's employees are eligible for membership in the Civil Service Superannuation Plan operated by the Province of Manitoba. Although this is a defined benefit pension plan, any experienced gains or losses determined by actuarial valuations are the responsibility of the Province of Manitoba. Accordingly, no disclosure has been made in the financial statements relating the effects of participation in the pension plan by the College and its employees.

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14. ECONOMIC DEPENDENCE

The College presently receives annual funding of approximately $14,294 ($12,661 in 2000) from the Province of Manitoba to finance operations and capital acquisitions. Without such funding, future viability of the College is not assured.

15. INCOME TAXES

The College is exempt from income taxes.

16. GRANTS

	COPSE Grant	Manitoba Health Grant	Other Grants	Total Grants
Grants Received	14,294	188	103	14,585
Add:				
Release of deferred revenue	102	-	9	111
Less:				
Adjustments	30	-	-	30
Deferrals	25	-	10	35
Overpayments	-	12	-	12
Deferred Capital Contributions	598	-	-	598
	13,743	176	102	14,021
Represented by:				
Base	13,552	176	89	13,817
Market Driven Training	191	-	13	204
	13,743	176	102	14,021

17. RELATED PARTY TRANSACTIONS

During the year the College provided a grant of $14,000 to Assiniboine Community College Foundation Inc. and received gifts in kind totaling $47,729 (in actual $).

18. COMPARATIVE FIGURES

The prior year's figures have been restated to conform to the current year's presentation.

ASSINIBOINE COMMUNITY COLLEGE
SCHEDULE OF REVENUES
YEAR ENDED JUNE 30, 2001
(in thousand $)

Schedule 1

	Budget (unaudited)	2001	2000 (restated)
Academic Training Fees			
Day program tuition fees	2,635	2,241	2,564
Grants			
Provincial (note 16)	13,829	13,817	12,661
Industry partnerships	-	-	6
	13,829	13,817	12,667
Market Driven / Contract Training (schedule 2)	1,100	1,206	1,403
Continuing Education (schedule 3)	738	670	811
Ancillary Services (schedule 4)	938	875	941
Apprenticeship Training (schedule 5)	1,207	1,167	921
Sundry and Other Revenue			
Interest	108	180	164
Other	252	231	222
	360	411	386
Amortization of deferred capital contributions	656	656	607
Total Revenue	21,463	21,043	20,300

ASSINIBOINE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2001
(in thousand $)

Schedule 1
Continued

	Budget (unaudited)	2001	2000
Academic			
Salaries			
Instructional	7,940	7,688	6,977
Administrative	1,675	1,684	1,659
Program Support	122	127	128
Fringe Benefits	766	728	678
Operating	2,272	2,101	2,038
	12,775	12,328	11,480
Administration			
Salaries	1,801	2,012	1,598
Fringe Benefits	281	264	242
Operating	1,546	1,437	1,299
	3,628	3,713	3,139
Program Support			
Salaries	570	586	532
Fringe Benefits	44	48	43
Operating	157	133	109
	771	767	684
Plant			
Salaries	232	261	250
Fringe Benefits	18	25	32
Operating	923	941	917
	1,173	1,227	1,199
Management Information Services			
Salaries	543	584	559
Fringe Benefits	42	49	46
Operating	268	298	254
	853	931	859
Library			
Salaries	192	203	169
Fringe Benefits	15	16	14
Operating	87	78	70
	294	297	253
Ancillary Services (schedule 4)	795	728	811
Amortization of Capital Assets	1,049	1,049	917
Total Expenditures	21,338	21,040	19,342

Schedule 2

ASSINIBOINE COMMUNITY COLLEGE
MARKET DRIVEN TRAINING
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2001
(in thousand $)

	Budget (unaudited)	2001	2000
Revenue			
Tuition fee contracts	121	125	133
Contract training	726	842	925
Grants	223	214	326
Other revenue	30	25	19
Total Revenue	1,100	1,206	1,403
Expenditures			
Direct Expenditures			
Instructional salaries	458	507	577
Fringe benefits	23	43	51
Operating	269	175	364
	750	725	992
Indirect Expenditures			
Administrative salaries	249	269	208
Fringe benefits	32	23	17
Other operating	16	13	4
	297	305	229
Total Expenditures	1,047	1,030	1,221
Excess (Deficiency) of Revenue over Expenditures	53	176	182

Schedule 3

ASSINIBOINE COMMUNITY COLLEGE
CONTINUING EDUCATION
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2001
(in thousand $)

	Budget (unaudited)	2001	2000 (restated)
Revenue			
Brandon campus	604	376	401
Dauphin campus	61	50	96
Regional Centres	73	244	314
Total Revenue	738	670	811
Expenditures			
Direct Expenditures			
Instructional salaries	306	310	333
Fringe benefits	24	23	25
Operating	183	91	168
	513	424	526
Indirect Expenditures			
Administrative salaries	163	172	193
Program support	110	104	110
Fringe benefits	21	25	25
Operating	20	117	104
	314	418	432
Total Expenditures	827	842	958
Excess (Deficiency) of Revenue over Expenditures	(89)	(172)	(147)

ASSINIBOINE COMMUNITY COLLEGE
ANCILLARY SERVICES
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2001
(in thousand $)

Schedule 4

	Budget (unaudited)	2001	2000
Revenue	938	875	941
Expenditures			
Cost of goods sold	710	640	695
Salaries & benefits	55	73	56
Operating	30	15	60
Total Expenditures	795	728	811
Excess (Deficiency) of Revenue over Expenditures	143	147	130

ASSINIBOINE COMMUNITY COLLEGE
APPRENTICESHIP
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2001
(in thousand $)

Schedule 5

	Budget (unaudited)	2001	2000
Revenue			
Tuition Revenue	1,207	1,167	921
Expenditures			
Direct Expenditures			
Instructional salaries	774	787	702
Fringe benefits	61	63	53
Operating	196	174	130
Total Expenditures	1,031	1,024	885
Excess (Deficiency) of Revenue over Expenditures	176	143	36

Office of the Provincial Auditor
500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors under The Embalmers and Funeral Directors Act

We have audited the statement of financial position of the Board of Administration under The Embalmers and Funeral Directors Act as at December 31, 2001 and the statements of operations and changes in unrestricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Provincial Auditor

Office of the Provincial Auditor

Winnipeg, Manitoba
March 26, 2002

THE BOARD OF ADMINISTRATION UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Financial Position
December 31, 2001

ASSETS	2001	2000
Current Assets		
Cash	$13,927	$25,500
Short term investments	75,169	52,811
Accounts receivable	-	400
Accrued interest receivable	711	399
	$89,807	$79,110

LIABILITIES AND UNRESTRICTED NET ASSETS	2001	2000
Current liabilities		
Accounts payable and accrued liabilities	$ 4,768	$ 4,107
Deferred revenue	19,500	5,700
	24,268	9,807
Unrestricted net assets	65,539	69,303
	$89,807	$79,110

Approved on behalf of The Board of Administration

Caroline Kaus

Caroline Kaus,
Chairperson

Tracy Wevursky

Tracy Wevursky,
Secretary-Treasurer

THE BOARD OF ADMINISTRATION UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Operations And Changes In Unrestricted Net Assets for the year ended December 31, 2001

REVENUE	2001	2000
Funeral Home licences	$ 7,100	$ 6,800
Embalmer and Funeral Director licences	21,400	21,150
Contribution of services (note 3)	4,000	4,000
Interest	2,671	2,012
Other	-	50
	$35,171	$34,012
EXPENSES		
Administration and accounting (Note 3)	$ 4,000	$ 4,000
Audit	2,400	1,850
Honoraria - Board Members	6,649	3,052
Honoraria - Registrar	10,000	-
Miscellaneous	1,958	1,020
Board meetings	4,047	2,113
Graduation and examination	2,177	1,223
Communications	900	1,003
Office supplies and postage	3,312	997
Labour Mobility conferences	3,492	-
	$38,935	$15,258
(Deficiency) Excess of Revenue Over Expenses	($3,764)	$18,754
Unrestricted Net Assets Beginning of the year	$69,303	$50,549
Unrestricted Net Assets End of the year	$65,539	$69,303

THE BOARD OF ADMINISTRATION UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Cash Flows for the year ended December 31, 2001

	2001	2000
Cash flows received from (used for) operating activities		
Licence fees	$42,700	$24,650
Interest on short term investments	2,359	1,935
Other revenue	-	50
Graduation and examination expenses	(2,177)	(1,223)
Audit fees	-	(1,850)
Honoraria – Registrar	(10,000)	-
Honoraria - Board Members	(7,266)	(1,962)
Miscellaneous expenses	(2,214)	(824)
Board meetings	(4,689)	(1,470)
Communications	(947)	(991)
Labour Mobility conferences	(3,492)	-
Office supplies and postage	(3,489)	(822)
Net cash generated from operating activities	10,785	17,493
Cash flows received from (used for) investing activities		
Purchases of Guaranteed Investment Certificates	(75,169)	(52,811)
Maturities of Guaranteed Investment Certificates	52,811	50,879
Net cash used for investing activities	(22,358)	(1,932)
Net (decrease) increase in cash for the year	(11,573)	15,561
Cash, beginning of year	25,500	9,939
Cash, end of year	$13,927	$25,500

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Notes to the Financial Statements
December 31, 2001

1. Nature of the Operation

The Embalmers and Funeral Directors Act established The Board of Administration to licence and regulate Embalmers and Funeral Directors and to prescribe the courses of training and instruction for articled students.

2. Accounting Policy

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

3. Contribution of Services

The Government of the Province of Manitoba provided the services of administration and accounting staff at an estimated cost of $4,000 for 2001 (2000 - $4,000). This contribution of services is recorded in the financial statements as revenue and as expense.

4. The Public Sector Compensation Disclosure Act

In accordance with Section 2 of The Public Sector Compensation Disclosure Act, the following summarizes compensation paid during the year ended December 31, 2001:

(i) The Board Chairperson received no compensation from The Board of Administration, other than for meals included in statement (iii) below;

(ii) No compensation was paid to Officers, other than a meeting allowance, mileage, meals, lodging and parking included in statement (iii) below;

		2001	2000
(iii)	The aggregate amount paid to Board members was:		
	(a) Meeting allowance	$ 6,649	$3,052
	(b) Mileage, meals, lodging and parking	$ 4,047	$2,113
(iv)	An honorarium was paid to the Registrar for the year	$10,000	-

(iv) The Board has no employees.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Governors of Brandon University

We have audited the statement of financial position of Brandon University as at March 31, 2002 and the statements of changes in net assets, operations and changes in cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2002, the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jon W. Singleton, CA•CISA
Auditor General

Winnipeg, Manitoba
May 16, 2002

Brandon University

Statement of Financial Position
as at March 31, 2002

ASSETS

	2002	2001
Current Assets		
Cash and cash equivalents (note 3)	$ 10,119,915	$ 9,036,949
Accounts receivable	2,068,343	2,685,043
Inventory	325,023	349,933
Prepaid expenses	137,549	149,220
	12,650,830	12,221,145
Trust and Endowment Funds held by Brandon University Foundation (notes 2D and 4)	20,734,574	18,060,070
Loan receivable (note 8)	86,054	88,161
Investment in Subsidiary Company (notes 2E and 10)	232,807	290,924
Capital Assets and Collections (notes 2F and 6)	38,367,544	39,312,642
	$ 72,071,809	$ 69,972,942

Approved by the Brandon University
Board of Governors on June 27, 2002

J. E. Deller
Treasurer

Vice-President (Administration & Finance)

The accompanying notes are an intergral part of these financial statements.

LIABILITIES & NET ASSETS

	2002	2001
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,093,448	$ 3,566,468
Due to WESTARC Group Inc. (note 11)	217,753	290,194
Deferred income	230,191	200,354
Deferred contributions (note 7)	2,644,444	2,267,750
Current portion of long term debt (note 12)	76,560	72,017
	6,262,396	6,396,783
Long term Liability		
Mortgages payable (note 12)	1,888,475	1,965,035
Deferred building contribution (note 7)	4,936,035	5,000,000
Unamortized Deferred Capital Contributions (note 7)	31,020,340	31,800,192
Expenses Funded from Future Revenues (note 16)	(1,541,803)	(1,517,251)
Trust and Endowment Funds (notes 2D and 4)	20,734,574	18,060,070
Net Assets		
Unrestricted net assets	3,166,720	2,544,490
Internally restricted net assets (note 5)	222,902	248,222
Investment in capital assets and collections	5,382,170	5,475,401
	8,771,792	8,268,113
	$ 72,071,809	$ 69,972,942

The accompanying notes are an intergral part of these financial statements.

Brandon University

Statement of Changes in Net Assets
for the year ended March 31, 2002

	Unrestricted Net Assets	Internally Restricted Net Assets	Investment in Capital Assets and Collections	Total 2002	Total 2001
Balance, beginning of year	$ 2,544,490	$ 248,222	$ 5,475,401	$ 8,268,113	$ 7,788,105
Reclassify account balances	3,200			3,200	
Restated balance, beginning of year	2,547,690	248,222	5,475,401	8,271,313	7,788,105
Excess of revenues over expenses	447,767			447,767	353,774
Direct increases to net assets					
Donations of capital assets			16,697	16,697	100,650
Transfer of WESTARC assets (net of amortization)	11,463			11,463	
Transfers					
Internally funded					
Capital asset additions	(774,320)		774,320		
Capital asset disposals (net)	1,379		(1,379)		
Amortization	954,886		(954,886)		
Repayment of long term debt	(72,017)		72,017		
Allocation to internally restricted net assets	(81,365)	81,365			
Internally restricted net asset purchases	106,685	(106,685)			
Net increase in expenses funded from future revenues	24,552			24,552	25,584
Balance, end of year	$ 3,166,720	$ 222,902	$ 5,382,170	$ 8,771,792	$ 8,268,113

The accompanying notes are an intergral part of these financial statements.

Brandon University

Statement of Operations
for the Year Ended March 31, 2002

	2002	2001
Revenues		
Tuition fees	$ 8,507,469	$ 7,799,928
Grants		
Council on Post-Secondary Education	20,814,576	19,738,720
Province of Manitoba	1,770,964	1,668,012
Government of Canada	1,312,668	904,752
City of Brandon	50,000	50,000
Sales of goods and services	4,663,439	4,428,466
Brandon University Foundation	1,272,077	1,255,664
Amortization of deferred capital contributions	1,395,377	1,361,351
Gain on disposal of capital assets	606	1,352
Miscellaneous	866,100	1,019,691
	40,653,276	38,227,936
Expenses		
Salaries - academic	12,995,006	12,412,485
Salaries - support	9,935,255	9,339,039
Benefits	2,987,763	2,796,637
Travel	1,352,944	1,439,382
Supplies and other expenses	5,252,148	4,517,243
Property taxes	1,854,627	1,838,606
Utilities	990,270	1,025,238
Cost of goods sold	1,647,963	1,561,157
Scholarships and bursaries	612,030	476,014
Interest on long term debt	144,571	148,830
Amortization expense	2,350,263	2,257,911
Loss of subsidiary	58,117	36,036
Increase in amount of accrued expenses	24,552	25,584
	40,205,509	37,874,162
Excess of revenues over expenses	$ 447,767	$ 353,774

The accompanying notes are an intergral part of these financial statements.

Brandon University

Statement of Cash Flow
for the Year Ended March 31, 2002

	2002	2001
Cash Provided By (Used In) Operating Activities		
Excess of revenues over expenses	$ 447,767	$ 353,774
Items not affecting cash flow		
Amortization of deferred capital contributions	(1,395,377)	(1,361,351)
Amortization of capital assets	2,350,263	2,257,911
Loss/(Gain) on disposal of capital assets	(375)	17,921
Loss of subsidiary	58,117	36,036
Change in expenses funded from future revenues	24,552	25,584
Decrease/(Increase) in non-cash operating working capital	493,000	(497,776)
	1,977,947	832,099
Cash Provided By (Used In) Investing Activities		
Decrease in loan receivable	2,107	1,947
Capital asset additions	(1,395,679)	(2,709,545)
Proceeds on disposal of capital assets	2,352	4,541
	(1,391,220)	(2,703,057)
Cash Provided By (Used In) Financing Activities		
Long term debt repayments	(72,017)	(67,757)
Capital contributions received	568,257	6,934,187
	496,240	6,866,430
Increase in cash and cash equivalents	1,082,967	4,995,472
Cash and cash equivalents, beginning of year	9,036,949	4,041,477
Cash and cash equivalents, end of year	$ 10,119,916	$ 9,036,949

The accompanying notes are an intergral part of these financial statements.

Brandon University

Notes to the Financial Statements
for the year ended March 31, 2002

1. Authority and Purpose

Brandon University operates under the authority of the Brandon University Act of the Province of Manitoba. Brandon University offers undergraduate programs in arts, science, education, music, and health studies; and offers graduate programs in education, music and rural development. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies and Reporting Practices

A. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

B. Revenue Recognition

Operating grants are recognized as revenue in the period received. Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered or substantially rendered.

The University accounts for contributions using the deferral method. Deferred contributions are externally restricted non-capital contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Externally restricted contributions for the acquisition of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received and, when expended, are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

C. Short Term Investments

Short term investments are recorded at cost and are unspent operating, capital and restricted funds that are invested to generate income used to fund general operations of the University. Short term investments also includes a mutual fund that provides a benefit provision for a former WESTARC employee as a part of that individual's contract of employment.

D. Trust and Endowment Fund

In order to consolidate fund raising activities and the administration of trust and endowment funds, Brandon University, Brandon University Foundation and Brandon University Alumni Association entered into an agreement in October 1989, which was updated in April 2001. The parties to the agreement recognize and agree that the University has exclusive and ultimate control over the consolidated assets and for the eventual disposition of all funds collected on its behalf in the future.

Funds transferred from the Brandon University Foundation to the University are recorded as revenue in the period they were received by the University.

The net change in the funds held by the Foundation, as a result of the Foundation's activities over the year, is added to Funds held by Brandon University Foundation and to the Trust and Endowment Fund.

E. Investment in Subsidiary Companies

The University accounts for its investment in the subsidiary companies in accordance with a modification of the equity method. Under this method, contributions to the subsidiary companies and earnings of the subsidiary companies are added to the investment in the subsidiaries. Dividends received from the subsidiary companies are deducted from the investment in the subsidiaries. The income or losses of the subsidiaries are included in the statement of operations.

F. Capital Assets and Collections

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at the fair market value on the date received. On the disposition of a capital asset, both the cost and any accumulated amortization are removed from the accounts.

Capital assets are amortized on a straight line basis over the estimated useful lives of the assets. Amortization rates are as follows:

Buildings	50 years
Furnishings and equipment	10 years
Computer equipment	5 years
Vehicles	5 years
Library collections	10 years

The capital assets include collections of works of art, gemstones and rare books which have been donated to the University. These collections are not amortized.

G. Inventory

Inventories are valued at the lower of cost and net realizable value.

H. Pension Plans

The University contributes to the Brandon University Retirement Plan which is a trustee-administered pension plan for University employees. Contributions by the University are recorded as expenses.

The accounts of the Brandon University Retirement Plan do not form part of the financial statements of the University. The Auditor General audits the financial statements of the Plan.

3. Cash and Cash Equivalents

Cash and cash equivalents are summarized as follows:

	2002	2001
Cash	$ 452,981	$ 724,561
Short term investments	9,619,936	8,312,388
Mutual funds	46,998	
	$ 10,119,915	$ 9,036,949

The fair market value of the short term investments and mutual funds is $9,678,760 , (2001 -$8,318,265).

Brandon University

Notes to the Financial Statements for the year ended March 31, 2002

4. Funds Held by Brandon University Foundation

The trust and endowment funds held by the Brandon University Foundation of $20,734,574 as at December 31, 2001 have been included with the assets of the University. The transactions from January 1, 2002 to March 31, 2002 which would have decreased the fund balance by approximately $159,815 have not been included in these financial statements.

The value of outstanding pledges to the Foundation as at March 31, 2002 is $ 376,164 (2001 - $ 499,015). These will be recorded as revenue by the University when transferred to the University from the Foundation.

5. Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University for the following specific purposes:

	Opening Balance	Current Provision	Purchases	2002 Closing Balance
Ancillary enterprises	$ 123,745	$ 30,473	$	$ 154,218
Mail/Print services	10,270		(8,920)	1,350
Photocopiers	(3,292)	3,292		
Telephone replacement	77,883	47,600	(97,765)	27,718
Vehicle replacement	39,616			39,616
	$ 248,222	$ 81,365	$ (106,685)	$ 222,902

6. Capital Assets and Collections

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Land	$ 500,530	$	$ 500,530	$ 500,530
Buildings	57,612,942	(26,288,872)	31,324,070	32,465,002
Furniture and equipment	12,252,748	(8,308,087)	3,944,661	3,931,366
Library collections	5,440,610	(3,824,499)	1,616,111	1,450,269
Collections	982,172		982,172	965,475
	$ 76,789,002	$(38,421,458)	$ 38,367,544	$ 39,312,642

Capital asset additions during the year included donations in kind in the amount of $ 16,697 , (2001- $100,650).

7. Deferred Contributions and Unamortized Deferred Capital Contributions

Deferred contributions represent contributions received for special purposes and unspent funds for restricted purposes. Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods and matched against the applicable amortization charged in that period. Changes in the deferred contributions and unamortized deferred capital contributions balances are as follows:

	2002 Deferred Contributions	2002 Unamortized Deferred Capital Contributions	2001 Deferred Contributions	2001 Unamortized Deferred Capital Contributions
Balance, beginning of year	$ 7,264,550	$ 31,800,192	$ 1,778,858	$ 31,328,006
Contributions received	6,834,937		12,662,450	
Transfers to revenue				
Tuition, grants and contributions	(5,902,883)		(5,324,724)	
Amortization of assets acquired from capital assets		(1,395,977)		(1,376,648)
Transferred to acquire capital assets	(616,125)	616,125	(1,848,834)	1,848,834
Balance, end of year	$ 7,580,479	$ 31,020,340	$ 7,267,750	$ 31,800,192
Balance consists of:				
Research	$ 2,110,196		$ 1,965,663	
Special programs	534,248		302,087	
	2,644,444		2,267,750	
Capital	4,936,035		5,000,000	
	$ 7,580,479		$ 7,267,750	

The deferred capital contribution was a one time grant received in March, 2001 from the Council on Post-Secondary Education for the expansion of the health studies facilites.

Subsequent to year end, the University entered into contracts with various contractors for approximately $1.3 million for Phase I and $1.1 million for Phase II of the health studies facility.

8. Loan Receivable

The University issued a loan of $96,240 to Bran-U-Day Care Inc. on April 1, 1995 to cover the remaining debt on the building. The terms are monthly installments of $694.92 due on the 1st day of each month with the entire amount due on the 1st day of April, 2005. The rate of interest is 8.125% for this 5 year period.

The loan receivable as at March 31, 2002, was $ 86,054 , (2001- $88,161).

9. Pension Plans

Actuarial valuations of the Brandon University Retirement Plan are carried out every three years and provide an estimate of the accrued pension benefits. The next actuarial valuation is required as at December 31, 2003 and will be completed in 2004. Based on the latest actuarial valuation of the plan conducted as at December 31, 2000, accrued pension benefits were $62,244,000. This valuation established a Plan surplus of $11,162,000 using the accrued benefit method as at that date. This method used actuarial assumptions with regard to demographics, rate of return on investments and salary increases to compare the Plan's assets with its liabilities in respect of past service.

The Board of Governor's of Brandon University has approved the use of $5,000,000 of the plan surplus at December 31, 2000 to improve benefits for members of the plan.

The market value of the assets under management was $ 75,899,755 at December 31, 2001 (2000 - $78,867,024).

Pension contributions by the University for the year ended March 31, 2002 were $1,003,381 (2001 - $ 948,556).

10. Investment in Subsidiary Companies

Brandon University Holding Company Limited was incorporated in 1985 as a wholly-owned subsidiary company of Brandon University. The Holding Company was established for the purpose of holding shares in subsidiary companies. WESTARC Group Inc., a wholly-owned subsidiary company of Brandon University Holding Company Limited, was incorporated in 1985. WESTARC Group Inc. was established to disseminate expertise from the University to the public and private sectors.

The following is a summary of the investment in Brandon University Holding Company Limited for the year ended March 31, 2002:

	2002	2001
Investment, beginning of year	$ 290,924	$ 326,960
Net loss from operations	(58,117)	(31,479)
Dividends paid by Brandon University Holding Company Limited	-	(4,557)
Investment, end of year	$ 232,807	$ 290,924

11. Related Party Transactions

As at March 31, 2002, there was an amount of $ 217,753 (2001 - $ 290,194) due to WESTARC Group Inc. from Brandon University. This amount is non-interest bearing with no set repayment terms.

12. Long-Term Liability - Mortgages Payable

	2002	2001
Canada Mortgage and Housing Corporation 5 1/8% mortgage, $41,608 combined principal and interest payable semi-annually July 1 and January 1 to 2012.	$ 669,280	$ 716,378
Canada Mortgage and Housing Corporation 8 1/4% mortgage, $66,686 combined principal and interest payable semi-annually April 1 and October 1 to 2021.	1,295,755	1,320,674
	1,965,035	2,037,052
Current portion of long term debt	76,560	72,017
	$ 1,888,475	$ 1,965,035

Principal payments in the next five years are as follows:

2003	$ 76,560
2004	$ 81,406
2005	$ 86,578
2006	$ 92,097
2007	$ 97,990

13. Brandon Centennial Auditorium Corporation Inc.

Under an arrangement between the University, the Province of Manitoba and the City of Brandon, the University built an Auditorium on its property for the benefit of the citizens of Western Manitoba. The expenditures for the building and furnishings were financed from contributions by the Governments of Canada and Manitoba, the City of Brandon and citizens through fundraising campaigns.

The Auditorium has been leased to the Brandon Centennial Auditorium Corporation Inc. for a nominal consideration of $1 under a 99 year lease which expires 2064 A.D. The University is reimbursed for services supplied to the auditorium as required by the agreement.

14. Knowles-Douglas Student Union Centre

The Knowles-Douglas Student Union Centre has been leased to the Knowles- Douglas Student Union Centre Inc. for the nominal consideration of $1 per year under a 50 year lease which expires 2035 A.D. The University supplies certain services to the Centre as required by the lease.

15. Commitments

An agreement between the University and the Brandon University Students' Union Inc. provides for the equal sharing of profits of the University's bookstore operations. The Students' Union share of profits amounted to $57,548 for the year ended March 31, 2002 (2001 - $43,147).

16. Expenses Funded From Future Revenues

The balance of Expenses Funded From Future Revenues consists of:

	2002	2001
Unfunded employee benefits - vacation accruals	$ 528,142	$ 512,144
Unfunded employee future benefits	548,000	539,000
Unfunded property taxes	465,661	466,107
	$1,541,803	$1,517,251

17. Employee Future Benefits

Accounting standards require the use of accrual accounting for costs related to employee future benefits. These non-pension benefits include severance and retiring allowance benefits payable upon retirement. The costs of these future benefits have been determined by an actuary and the costs will be recognized over the service life of the employees or the period to full eligibility of the employee group depending on the type of cost.

The actuarial valuation provides the present value of benefit obligations as well as the current cost and the interest cost on the benefit obligation. This accrued benefit obligation has not been funded.

	2002	2001
Accrued benefit obligation, beginning of year, as previously reported	$ 539,000	$
Actuarial adjustment	(20,000)	
Accrued benefit obligation, beginning of year, restated	519,000	505,000
Current costs	29,000	28,000
Benefit payments	(35,000)	(28,000)
Interest at 6.75%	35,000	34,000
Accrued benefit obligation, end of year	$ 548,000	$ 539,000

18. Early Retirement Incentive Plan

Brandon University entered into an agreement with the Brandon University Faculty Association (BUFA) to offer an Early Retirement Incentive Plan to BUFA members. The objective of the plan was to provide encouragement and opportunity for BUFA members to retire from the University before they would otherwise do so, and before age 65, and to allow the University to produce savings and increased operating flexibility.

The Plan was available to members of BUFA with probationary, tenured, and continuing appointments who were between the age of 55 and 65 and who had 5 or more years of service with the University. Application for entry into the Plan had to be made by December 31, 1996 and entry into the Plan could be made June 30, or December 31, 1996, June 30 or December 31, 1997 or June 30, 1998. The retiring (incentive) allowance could be paid on the date of entry into the Plan or for a period of up to 3 years after that date.

The retiring allowance payments from the Plan were financed through savings realized by hiring new faculty at reduced salaries and by not filling certain vacated positions. A special purpose account was established for the purpose of designating funds for payment of allowances as they come due.

19. Financial Instruments

The financial instruments of the University consist of cash and cash equivalents, accounts receivable, long-term investments, accounts payable, amounts due to (from) related parties and long-term debt. Unless otherwise noted, it is management's opinion that the University is not exposed to significant interest, currency or credit risks arising from these financial instruments.

20. Restatement of Accounts

Comparative figures for the year ended March 31, 2001 have been restated where necessary to conform with the presentation adopted for the year ended March 31, 2002.

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
One Lombard Place
Suite 2300
Winnipeg Manitoba
Canada R3B 0X6
Telephone +1 (204) 926 2400
Facsimile +1 (204) 944 1020

May 17, 2002

Auditors' Report

To the Members of
CancerCare Manitoba

We have audited the statement of financial position of **CancerCare Manitoba** (formerly The Manitoba Cancer Treatment and Research Foundation) as at March 31, 2002 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of CancerCare Manitoba's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of CancerCare Manitoba as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.

CancerCare Manitoba

Statement of Financial Position

As at March 31, 2002

	2002				2001
	General Fund $	**Building Fund $**	**Clinical and Basic Research Fund $**	**Total $**	**Total $**
Assets					
Current assets					
Cash	3,814,684	129,289	123,740	4,067,713	20,553,221
Short-term investments	2,216,047	2,740,403	-	4,956,450	2,269,367
Due from Manitoba Health (note 3)	396,259	-	-	396,259	3,211,351
Accounts receivable	517,971	-	1,767,525	2,285,496	1,416,891
Interfund accounts	(44,684)	(678,306)	722,990	-	-
Prepaid expenses	245,330	-	-	245,330	162,637
Deferred charges	3,040,757	-	-	3,040,757	2,246,321
	10,186,364	2,191,386	2,614,255	14,992,005	29,859,788
Investments (note 2)	-	-	1,839,707	1,839,707	1,642,538
Capital assets (note 6)	4,975,507	47,654,787	489,818	53,120,112	48,338,831
	15,161,871	49,846,173	4,943,780	69,951,824	79,841,157
Liabilities and Deferred Contributions					
Current liabilities					
Accounts payable and accrued liabilities (note 7)	6,097,876	10,225,460	22	16,323,358	26,254,270
Current portion of long-term debt	-	921,053	-	921,053	921,052
Deferred contributions (note 8)					
Expenses of future periods	2,314,990	-	-	2,314,990	1,475,192
Capital assets	5,055,112	23,041,765	-	28,096,877	29,164,668
	13,467,978	34,188,278	22	47,656,278	57,815,182
Long-term debt (note 9)	-	15,657,895	-	15,657,895	16,578,948
	13,467,978	49,846,173	22	63,314,173	74,394,130
Fund Balances					
Invested in capital assets	-	-	489,818	489,818	492,565
Externally restricted (note 10)	-	-	2,179,712	2,179,712	1,494,780
Internally restricted	-	-	2,274,228	2,274,228	2,029,326
Unrestricted	1,693,893	-	-	1,693,893	1,430,356
	1,693,893	-	4,943,758	6,637,651	5,447,027
	15,161,871	49,846,173	4,943,780	69,951,824	79,841,157

Approved by the Members

_________________ Member

_________________ Member

CancerCare Manitoba

Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2002

				2002	2001
	General Fund $	**Building Fund $**	**Clinical and Basic Research Fund $**	**Total $**	**Total $**
Revenue					
Manitoba Health	38,110,902	-	-	38,110,902	31,574,013
Other recoveries	561,069	-	-	561,069	420,742
Investment income	119,266	-	104,565	223,831	271,229
Grants	-	-	5,129,019	5,129,019	4,856,040
Amortization of deferred contributions	2,232,282	1,676,668	-	3,908,950	3,279,301
	41,023,519	1,676,668	5,233,584	47,933,771	40,401,325
Expenses					
Compensation	19,788,581	-	2,300,596	22,089,177	19,656,610
Medical remuneration	4,431,615	-	-	4,431,615	4,056,770
Building occupancy	1,177,354	-	-	1,177,354	997,681
Amortization of capital assets	2,232,282	1,676,668	119,342	4,028,292	3,380,942
General administration	3,138,843	-	-	3,138,843	3,146,049
Equipment rentals and maintenance	1,052,159	-	-	1,052,159	944,187
Supplies and other departmental expenses	2,202,828	-	1,886,559	4,089,387	4,335,218
Drugs	5,982,113	-	-	5,982,113	4,897,361
Referred-out services	754,207	-	-	754,207	889,012
	40,759,982	1,676,668	4,306,497	46,743,147	42,303,830
	263,537	-	927,087	1,190,624	(1,902,505)
Additional recoveries from Manitoba Health	-	-	-	-	2,207,456
Excess of revenue over expenses for the year	263,537	-	927,087	1,190,624	304,951
Fund balance - Beginning of year	1,430,356	-	4,016,671	5,447,027	19,776,389
Transfer to CancerCare Manitoba Foundation Inc. (note 2)	-	-	-	-	(14,634,313)
Fund balance - End of year	1,693,893	-	4,943,758	6,637,651	5,447,027

CancerCare Manitoba

Statement of Cash Flows

For the year ended March 31, 2002

	General Fund $	Building Fund $	Clinical and Basic Research Fund $	2002 Total $	2001 Total $
Cash provided by (used in)					
Operating activities					
Excess of revenue over expenses for the year	263,537	-	927,087	1,190,624	304,951
Amortization of capital assets	2,232,282	1,676,668	119,342	4,028,292	3,380,942
Amortization of deferred contributions related to capital assets	(2,232,282)	(1,676,668)	-	(3,908,950)	(3,279,301)
Gain on disposal of investments	-	-	(40,598)	(40,598)	(88,695)
Amortization of deferred contributions related to expenses of future periods	(1,998)	-	-	(1,998)	(53,704)
Net change in non-cash working capital items	1,112,400	(9,454,972)	(518,982)	(8,861,554)	15,536,273
	1,373,939	(9,454,972)	486,849	(7,594,184)	15,800,466
Financing and investing activities					
Interfund transfers	1,222,399	(915,751)	(306,648)	-	1,649,342
Additions to capital assets	(597,214)	(8,095,763)	(116,595)	(8,809,572)	(12,391,645)
Deferred contributions related to capital assets	478,243	2,240,788	-	2,719,031	3,144,898
Deferred contributions related to expenses of future period	963,924	-	-	963,924	808,631
Additions to investments	-	-	(604,001)	(604,001)	(706,696)
Proceeds on disposal of investments	-	-	447,430	447,430	702,368
Increase (decrease) in long-term debt	-	(921,053)	-	(921,053)	11,875,119
	2,067,352	(7,691,779)	(579,814)	(6,204,241)	5,082,017
Increase (decrease) in cash	3,441,291	(17,146,751)	(92,965)	(13,798,425)	20,882,483
Cash and short-term investments - Beginning of year	2,589,440	20,016,443	216,705	22,822,588	1,940,105
Cash and short-term investments - End of year	6,030,731	2,869,692	123,740	9,024,163	22,822,588

1 Purpose of the organization

CancerCare Manitoba is an agency established under The CancerCare Manitoba Act. CancerCare Manitoba maintains and co-ordinates a province-wide program for cancer prevention, diagnosis, treatment, education and research.

CancerCare Manitoba is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2 Significant accounting policies

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Fund accounting

CancerCare Manitoba follows the deferral method of accounting for contributions.

The **General Fund** accounts for CancerCare Manitoba's revenues and expenses related to program delivery and administrative activities.

The **Building Fund** reports the assets, liabilities, revenues and expenses related to CancerCare Manitoba's building expansion and renovation program.

The **Clinical and Basic Research Fund** reports grants received for specific clinical and basic research projects undertaken by CancerCare Manitoba.

During fiscal 2000 - 2001, the fund balances of $13,270,948 from the Research Trust Fund and $1,363,365 from The George H. Sellers Endowment Fund were transferred to CancerCare Manitoba Foundation Inc. (CCMF Inc.).

Revenue recognition

Restricted contributions are recognized as revenue in the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the appropriate fund when received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Restricted and unrestricted investment income are recognized as revenue of the appropriate fund in the year which the income was earned.

Grant revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investments

Investments are recorded at the lower of cost and market value.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Amortization is recorded on a straight-line basis over the assets' estimated useful lives, which for equipment is 5 - 20 years.

Included in the Building Fund are costs associated with the planning, design and construction of the new facility which have been recorded at cost. Amortization of the building is recorded on a straight-line basis over 40 years.

Deferred charges

Funding for vacation entitlements and pre-retirement leave is provided by Manitoba Health in the period in which the actual costs are paid. Accordingly, CancerCare Manitoba records a deferred charge equal to the estimated year end vacation pay liability and pre-retirement leave to its employees.

Surplus and deficit

CancerCare Manitoba is entitled to retain any surplus arising from excess of revenue over expenses for activities funded by Manitoba Health for each fiscal year up to a maximum of 2% of net insured patient costs. Any surplus amount in excess of the maximum is returned to Manitoba Health. Any deficits will normally be the responsibility of CancerCare Manitoba.

Contributed services

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Retirement entitlement obligation

CancerCare Manitoba has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

a) have ten years of service and have reached the age of 55; or

b) have reached the age of 65; or

c) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

CancerCare Manitoba records the retirement obligation as a liability. Funding for the retirement entitlement is recoverable from Manitoba Health in the year of payment.

Pension expense

CancerCare Manitoba participates in the Healthcare Employees Pension Plan - Manitoba. Pension expense is equal to CancerCare Manitoba's annual funding of the pension plan.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual amounts could differ from those estimates.

3 Manitoba Health funding

Revenue received from Manitoba Health for net insured patient costs is based on funding levels approved by Manitoba Health annually, adjusted for amounts to be returned to or recovered from Manitoba Health, subject to audit. Certain other items of revenue and expenses are the full responsibility of Manitoba Health. At March 31, 2002, CancerCare Manitoba had a balance of $396,259 (2001 - $3,211,351) receivable from Manitoba Health.

4 CancerCare Manitoba Foundation Inc.

CancerCare Manitoba has an economic interest in CancerCare Manitoba Foundation Inc. (CCMF Inc.). At March 31, 2002, net resources of CCMF Inc. amounted to $23,976,000, of which $7,031,000 are restricted contributions. CCMF Inc.'s purpose is to support CancerCare Manitoba in its provision of a program of diagnosis of, treatment of, and research in respect of cancer. CCMF Inc. will solicit, receive, maintain and accumulate funds for distribution on a periodic basis to CancerCare Manitoba, to support principally research activities that are supplementary to those funded by Manitoba Health. During the year, CCMF Inc. contributed funds in the amount of $2,185,000 (2001 - $2,972,000) to CancerCare Manitoba.

5 Transfer of land and buildings

During the 2001 fiscal year, the Health Sciences Centre (HSC) transferred title for the land and buildings at 100 Olivia Street from HSC to CancerCare Manitoba. HSC transferred the land for the purchase price of ten dollars, and contributed the buildings, which had a net book value of $4,081,968, to CancerCare Manitoba.

6 Capital assets

	2002			2001
	Cost $	Accumulated amortization $	Net $	Net $
General Fund				
Equipment	16,131,472	11,155,965	4,975,507	6,610,575
Building Fund				
Building construction in progress	46,228,193	2,079,450	44,148,743	40,156,086
Equipment	4,253,814	747,770	3,506,044	1,079,605
Clinical and Basic Research Fund				
Equipment	897,855	408,037	489,818	492,565
	67,511,334	14,391,222	53,120,112	48,338,831

7 Accrued employee benefits

Included in accounts payable and accrued liabilities are the following balances:

	2002 $	2001 $
Vacation accrual	1,246,231	1,132,612
Pre-retirement accrual	1,794,526	1,113,709

8 Deferred contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent contributions for specific projects and other purposes:

	2002 **$**	**2001** **$**
Balance - beginning of year	1,475,192	1,097,512
Add: Amount received related to future periods	963,924	808,631
Less: Amounts transferred to capital assets	(122,128)	(377,247)
Less: Amounts amortized to revenue	(1,998)	(53,704)
	2,314,990	1,475,192

b) Capital assets

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of contributions and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2002 **$**	**2001** **$**
Balance - beginning of year	29,164,668	24,839,856
Additional contributions received	2,719,031	7,226,866
Add: Amounts transferred from expenses of future periods	122,128	377,247
Less: Amounts amortized to revenue	(3,908,950)	(3,279,301)
	28,096,877	29,164,668

The balance of unamortized capital contributions related to capital assets consists of the following:

	2002 **$**	**2001** **$**
Unamortized capital contributions used to purchase capital assets	28,017,271	29,088,220
Unspent contributions	79,606	76,448
	28,096,877	29,164,668

9 Long-term debt

On May 1, 1989, CancerCare Manitoba initiated a fundraising campaign aimed at raising capital for the construction of a new building and the renovation and expansion of existing facilities. The Building Fund was created to record the transactions of this project. The Government of Manitoba has committed to a contribution of approximately $31,111,000 towards the project. The total project costs are estimated at approximately $50,549,000 with expected completion of the facility in 2002.

On March 31, 2001, CancerCare Manitoba received $17,500,000 from the Government of Manitoba. The $17,500,000 was advanced in the form of a promissory note, bearing interest at 6.25% and repayable in monthly principal amounts of $76,754 plus interest, commencing April 2001.

The amount of principal payments in each of the next five years and thereafter are as follows:

	$
March 31, 2003	921,053
2004	921,053
2005	921,053
2006	921,053
2007	921,053
Thereafter	11,973,683
	16,578,948

To finance the remaining construction of the new building, CancerCare Manitoba has obtained a line of credit in the amount of $13,611,000. The line of credit is secured by a letter of comfort from Manitoba Health.

10 Externally restricted fund balances

The major category of externally imposed restrictions on fund balances are as follows:

	2002 **$**	**2001** **$**
Restricted for specific purposes	2,179,712	1,494,780

11 Fair value of financial instruments

The carrying value of cash and short-term investments, accounts receivable, accounts payable and accrued liabilities approximate their fair value because of the relatively short period to maturity of the instruments.

The fair values of investments are measured at the current market rates at March 31, 2002. The fair market value of investments at March 31, 2002 and 2001 is $2,155,697 and $2,053,572, respectively.

12 Comparative figures

Certain of the prior year's figures have been restated to conform with the current year's presentation.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Centre Culturel Franco-Manitobain

We have audited the statement of financial position of The Centre Culturel Franco-Manitobain as at March 31, 2002 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 27, 2002

CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Financial Position

March 31	2002	2001
Assets		
Current Assets		
Cash and bank	$ 45,806	$ 91,661
Grants receivable	59,805	55,829
Accounts receivable	68,299	55,682
Inventory	39,333	32,050
Prepaid expenses	18,608	16,421
	231,851	251,643
Non-Current Assets		
Accounts receivable – Province of Manitoba (Note 8)	31,300	31,300
Accounts receivable – Province of Manitoba (Note 9)	25,891	25,891
Capital assets (Note 3)	84,320	115,874
	141,511	173,065
	$ 373,362	$ 424,708
Liabilities and Fund Balances		
Current Liabilities		
Accounts payable and accrued liabilities	$ 90,165	$ 138,528
Deferred contributions (Note 4)	38,288	21,567
Rental and damage deposits	19,406	14,323
Capital lease obligation – current portion (Note 10)	13,512	13,512
	161,371	187,930
Non-Current Liabilities		
Severance pay benefits (Note 8)	21,474	28,978
Deferred contributions related to capital assets (Note 5)	67,295	75,335
Capital lease obligation (Note 10)	13,513	27,027
	102,282	131,340
	263,653	319,270
Fund Balances		
Unrestricted Funds		
Operations	(5,885)	34,682
Cultural Programs	115,594	70,756
	109,709	105,438
	$ 373,362	$ 424,708

Approved on behalf of the Board:

Gilbert Savard Director

Director

The accompanying notes are an integral part of these financial statements.

CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Operations and Changes in Fund Balances

For the year ended March 31, 2002

	Operations	Cultural Programs	Capital	Fund Raising	Total 2002	Total 2001
Revenue						
Grants						
Government of Manitoba	$ 311,100	$ 28,722	$ 77,724	$ -	$ 417,546	$ 461,859
Government of Canada	-	166,832	-	-	166,832	171,667
Miscellaneous	12,500	23,850	-	-	36,350	11,500
Bingos	-	-	-	8,000	8,000	16,500
Café Jardin	328,084	-	-	-	328,084	373,124
Admission fees	-	24,031	-	-	24,031	18,069
Hall and office rental (Note 11)	132,181	-	-	-	132,181	140,073
Administration fees	-	7,279	-	-	7,279	7,316
Technical services	33,931	-	-	-	33,931	36,414
Sale of office supplies	6,623	500	-	-	7,123	8,722
Commissions	17,772	571	-	-	18,343	15,254
Interest	1,070	-	-	-	1,070	8,036
Advertising	-	3,681	-	-	3,681	1,428
Corporate sponsorships and donations	619	10,183	-	-	10,802	4,534
Miscellaneous (Note 13)	63,200	525	-	1,344	65,069	61,145
	907,080	266,174	77,724	9,344	1,260,322	1,335,641
Expenditures						
Operations (Note 6)	667,252	229,182	-	-	896,434	883,992
Café Jardin	274,754	-	-	-	274,754	286,312
Repairs (Note 7)	-	-	44,206	-	44,206	90,088
Strategic planning	5,641	-	-	-	5,641	-
Amortization of capital assets	-	-	31,554	-	31,554	34,757
Interest on capital lease	-	-	1,964	-	1,964	1,964
Fundraising						
Bingos	-	-	-	154	154	1,696
Parasols	-	-	-	1,344	1,344	1,669
	947,647	229,182	77,724	1,498	1,256,051	1,300,478
Excess of revenue (expenditures)	(40,567)	36,992	-	7,846	4,271	35,163
Fund balances, beginning of year	34,682	70,756	-	-	105,438	70,275
Interfund transfers	-	7,846	-	(7,846)	-	-
Fund balances, end of year	$ (5,885)	$ 115,594	$ -	$ -	$ 109,709	$ 105,438

The accompanying notes are an integral part of these financial statements.

CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Cash Flows

For the year ended March 31	2002	2001
Cash Flows provided by (used for) Operating Activities		
Excess of revenue over expenditures	$ 4,271	$ 35,163
Amortization of capital assets	31,554	34,757
Amortization of deferred contributions related to capital assets	(18,040)	(21,245)
Increase (decrease) in liability for severance pay benefits	(7,504)	3,449
Net change in non-cash working capital items		
Grants receivable	(3,976)	5,131
Accounts receivable	(12,617)	(2,342)
Inventory	(7,283)	(2,654)
Prepaid expenses	(2,187)	(5,870)
Accounts payable and accrued liabilities	(48,363)	59,025
Deferred contributions	16,721	(3,921)
Rental and damage deposits	5,083	(9,227)
Net cash inflows (outflows) for operating activities	(42,341)	92,266
Cash Flows provided by (used for) Financing and Investing Activities		
Purchase of capital assets	-	(3,288)
Contributions related to capital assets	10,000	3,288
Capital lease obligation	(13,514)	(13,512)
Net cash outflows for financing and investing activities	(3,514)	(13,512)
Increase (decrease) in cash for the year	(45,855)	78,754
Cash and bank, beginning of year	91,661	12,907
Cash and bank, end of year	$ 45,806	$ 91,661

The accompanying notes are an integral part of these financial statements.

1. General Information

The Centre Culturel Franco-Manitobain was incorporated under Chapter C45 of the Statutes of the Province of Manitoba. The Corporation's objects are to maintain, encourage, foster and sponsor, by all means available, all types of cultural activities in the French language and to make French-Canadian culture known to all residents of the province.

2. Accounting Policies

(a) Capital Assets

Acquired capital assets are stated at their acquisition cost less accumulated amortization and are amortized using the diminishing balance method at the following rates:

Technical equipment	20%
Computer equipment – pre 2001	30%
Kitchen equipment	20%
Cash registers	20%
Furniture and fixtures	20%
Security system	20%

Computer equipment acquired in 2001 at a cost of $79,052 is amortized on a straight-line basis over four years.

(b) Use of Building

The use of the building is accounted for as described in Note 11.

(c) Recognition of Revenue

Grants received for specific projects are recognized as revenue in the year in which the related expenditures are incurred. The remaining balance of the grants is accounted for as deferred contributions in the statement of financial position. Unrestricted contributions are recognized as revenue when received or receivable.

(d) Fund Balances

The financial resources of the Corporation are allocated to four funds corresponding to the Corporation's activities and objectives as follows:

Unrestricted Funds

Operations – Includes transactions related to the maintenance of facilities, the general operations of the Corporation and the Café Jardin.

Cultural Programs – Includes transactions related to the delivery of cultural programs as outlined in the objectives of the Corporation. Annually, the Corporation determines the value of the space used for cultural programs based on the rate normally charged to other tenants and charges this amount to the Cultural Programs Fund (see Note 6) ($12,787 in 2001).

2. Accounting Policies (continued)

Restricted Funds

Capital – Involves external restrictions and is used for recording major repairs related to the building's operations as well as the amortization of capital assets.

Fundraising – Includes transactions related to fundraising activities. The fund balance must be used to subsidize cultural activities and is included in the interfund transfers.

(e) Inventory

Inventory is valued at the lower of cost, using the first in first out method, and net realizable value.

3. Capital Assets

	2002		2001	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Technical equipment	$ 111,190	$ 87,735	$ 111,190	$ 81,871
Computer equipment	113,439	70,603	113,439	49,421
Kitchen equipment	18,771	11,729	18,771	9,968
Cash registers	5,200	4,245	5,200	4,006
Furniture and fixtures	3,000	1,968	3,000	1,710
Security system	17,580	8,580	17,580	6,330
	$ 269,180	$ 184,860	$ 269,180	$ 153,306
Net book value		$ 84,320		$ 115,874

4. Deferred Contributions

Deferred contributions represent unspent resources received during the year related to matching expenditures of subsequent periods.

	2002	2001
Balance, beginning of year	$ 21,567	$ 25,488
Grants received during the year	67,727	93,284
Less amounts recognized as revenue during the year		
Operations	(6,800)	(7,117)
Repairs	(44,206)	(90,088)
Balance, end of year	$ 38,288	$ 21,567

5. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized portion of grants received with which capital assets have been purchased and grants received with which capital assets will be purchased.

	2002	2001
Unamortized grants received for capital assets purchased	$ 57,295	$ 75,335
Grant for tractor addition to be purchased	10,000	-
Balance, end of year	$ 67,295	$ 75,335

Changes in deferred contributions related to capital assets are as follows:

	2002	2001
Balance, beginning of year	$ 75,335	$ 93,292
Grants received during the year	10,000	3,288
Amount amortized to revenue	(18,040)	(21,245)
Balance, end of year	$ 67,295	$ 75,335

6. Operations Fund and Cultural Programs Fund Expenditures

			2002	2001
	Operations	Cultural Programs	Total	Total
Salaries and benefits (Note 13)	$ 414,655	$ 98,680	$ 513,335	$ 492,803
Employment contracts	40,024	81,895	121,919	124,136
Pension	8,132	584	8,716	11,335
Utilities (Note 13)	101,834	-	101,834	103,992
Equipment rentals and maintenance	34,059	3,136	37,195	30,766
Office expenses	14,973	5,099	20,072	22,417
Internal rental	(14,337)	14,337	-	-
Equipment purchase	498	-	498	235
Supplies	24,701	(2,517)	22,184	27,567
Meetings and travel	6,720	5,968	12,688	9,596
Advertising and promotion	8,662	19,590	28,252	34,412
Professional fees	10,714	-	10,714	9,091
Insurance and permits	9,919	1,568	11,487	11,091
Training	15	65	80	353
Bad debts	222	-	222	471
Bank charges and interest	6,293	-	6,293	4,620
Miscellaneous	168	777	945	1,107
	$ 667,252	$ 229,182	$ 896,434	$ 883,992

7. Repairs

	2002	2001
Tables and chairs	$ -	$ 193
Technical equipment	4,901	8,070
Miscellaneous	1,113	8,458
Roof repairs	32,456	71,000
Landscaping	3,602	712
Computer	266	-
Painting and decorating	1,868	-
Security system	-	1,655
	$ 44,206	$ 90,088

8. Severance Pay Benefits

Effective, April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees. The amount of this estimated liability is determined using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 23 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of $31,300 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998.

This receivable from the Province of Manitoba has no terms of repayment and accordingly, the amount of this receivable will remain fixed at $31,300.

9. Vacation Pay Receivable

Effective March 31, 1995, the Corporation commenced recording the estimated liability for vacation pay for its employees. The amount of this estimated liability is determined using eligible vacation at March 31.

The Province of Manitoba has accepted responsibility for the vacation pay benefits accumulated to March 31, 1995 by the Corporation's employees. Accordingly, the Corporation recorded, effective March 31, 1995, a receivable of $25,891 from the Province of Manitoba, which is an amount that is equal to the estimated liability for vacation pay benefits at March 31, 1995.

This receivable from the Province of Manitoba has no terms of repayment and, accordingly, the amount of this receivable will remain fixed at $25,891.

10. Capital Lease Obligation

The following is a schedule of minimum lease payments under a capital lease for computer equipment. The lease expires in March 2004.

2003	$ 15,477
2004	15,477
Total minimum lease payments	30,954
Less amount representing interest	3,929
Present value of capital lease payments	27,025
Less current portion included in current liabilities	13,512
Obligation under capital lease	$ 13,513

11. Use of Building

The building used by the Corporation is owned by the Province of Manitoba and is made available to the Corporation rent-free. The Corporation is responsible for all operating and maintenance costs except for third party liability insurance, which is provided by the Province.

The Corporation charges rent to all tenants, groups and organization that make use of the building. This rental revenue is retained by the Corporation and recorded as revenue in the Operations Fund, thereby reducing the Corporation's reliance on funding from the Province.

12. Financial Instruments

The financial instruments consist of cash, grants receivable, accounts receivable, accounts payable and accrued liabilities. It is the management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

13. Centre du Patrimoine

The capital costs of this archival centre were funded equally by the Governments of Canada and Manitoba. Ownership of the centre is that of the Province of Manitoba. The centre is operated by La Société Historique de Saint-Boniface (SHSB).

The Centre Culturel Franco-Manitobain (CCFM) pays utility and maintenance costs related to the archival centre. Those utility and maintenance costs are recorded in utilities and salaries and benefits expenditures (Note 6). CCFM recovers the utility and maintenance costs from the SHSB. Those recoveries are recorded in miscellaneous revenue and amount to $52,307 in 2002 ($49,643 in 2001).

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AUDITORS' REPORT TO THE DIRECTORS

We have audited the statement of financial position of Child and Family Services of Central Manitoba as at March 31, 2002 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2002 and the results of its operations and the changes in cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP.

Chartered Accountants

Portage la Prairie, Manitoba

May 15, 2002

CHILD AND FAMILY SERVICES OF CENTRAL MANITOBA

Statement of Financial Position

March 31, 2002, with comparative figures for 2001

	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	Total 2002	Total 2001
Assets							
Current assets:							
Cash and short-term investments	$ 190,098	$ –	$ –	$ –	$ –	$ 190,098	$ 100,860
Accounts receivable	14,985	1,854	–	–	–	16,839	28,588
Receivable from Child and Family Services of Central Manitoba Foundation Inc.	13,350	–	–	–	5,018	18,368	15,703
Receivable from Department of Family Services and Housing (note 3)	156,697	10,840	–	–	–	167,537	219,206
Prepaid expenses	35,709	168	–	–	–	35,877	30,375
Inter-fund balances	(843,031)	767,314	32,129	42,250	1,338	–	–
	(432,192)	780,176	32,129	42,250	6,356	428,719	394,732
Investments	150,743	–	–	–	–	150,743	139,900
Capital assets (note 4)	–	–	–	–	565,182	565,182	551,309
Deferred severance / retirement entitlement	85,356	–	–	–	–	85,356	93,323
	$ (196,093)	$ 780,176	$ 32,129	$ 42,250	$ 571,538	$1,230,000	$1,179,264

	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	Total 2002	Total 2001
Liabilities and Fund Balances							
Current liabilities:							
Accounts payable and accrued liabilities	$ 58,294	$ 78,765	$ –	$ –	$ –	$ 137,059	$ 101,962
Accrued vacation pay entitlement	147,909	–	–	–	–	147,909	131,705
Payable to Central Region Healthy Child Coalition	11,739	–	–	–	–	11,739	24,657
Current portion of long-term debt	–	–	–	–	3,845	3,845	23,900
	217,942	78,765	–	–	3,845	300,552	282,224
Long-term debt	–	–	–	–	–	–	3,974
Accrued severance / retirement entitlement	161,844	–	–	–	–	161,844	132,233
Deferred contributions (note 5)	–	–	32,129	–	382,803	414,932	406,890
Fund balances:							
Invested in net capital assets	–	–	–	–	184,890	184,890	165,567
Externally restricted	–	701,411	–	42,250	–	743,661	696,101
Unrestricted	(575,879)	–	–	–	–	(575,879)	(507,725)
	(575,879)	701,411	–	42,250	184,890	352,672	353,943
Lease commitments (note 6)							
	$ (196,093)	$ 780,176	$ 32,129	$ 42,250	$ 571,538	$1,230,000	$1,179,264

See accompanying notes to financial statements.

CHILD AND FAMILY SERVICES OF CENTRAL MANITOBA

Statement of Operations and Changes in Fund Balances

March 31, 2002, with comparative figures for 2001

	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	Total 2002	Total 2001
Revenues:							
Provincial Government funding	$ 2,245,913	$1,536,714	$ –	$ 97,500	$ 1,258	$3,881,385	$3,768,031
Interest income	15,775	–	–	–	–	15,775	21,281
Contributions from parents	–	(258)	–	–	–	(258)	2,159
Contribution from Child and Family Services of Central Manitoba Foundation Inc.	2,665	–	–	–	–	2,665	2,605
Amortization of deferred contributions (note 5)	–	–	76,118	–	13,276	89,394	128,977
Other	2,021	1,379	–	–	–	3,400	1,087
	2,266,374	1,537,835	76,118	97,500	14,534	3,992,361	3,924,140
Expenditures:							
Salaries and benefits	2,031,481	–	67,800	47,788	–	2,147,069	1,963,008
Travel and other field service costs	119,551	43,707	8,318	–	–	171,576	175,050
Office maintenance	56,396	–	–	–	–	56,396	56,326
Office operations	135,173	–	–	–	–	135,173	127,772
Service support	67,393	–	–	–	–	67,393	88,990
Other support	21,934	–	–	–	–	21,934	26,770
Ward care expenditures	–	1,348,988	–	23,714	–	1,372,702	1,327,142
Amortization of capital assets	–	–	–	–	20,131	20,131	18,313
Mortgage interest	–	–	–	–	1,258	1,258	3,316
	2,431,928	1,392,695	76,118	71,502	21,389	3,993,632	3,786,687
(Deficiency) excess of revenues over expenditures	(165,554)	145,140	–	25,998	(6,855)	(1,271)	137,453
Fund balances (deficit), beginning of year	(507,725)	696,101	–	–	165,567	353,943	216,490
Transfer of prior years' surplus	36,136	(58,566)	–	16,252	6,178	–	–
Transfer of prior years' surplus to cover current year's expenditures	61,264	(81,264)	–	–	20,000	–	–
Fund balance (deficit), end of year	$ (575,879)	$ 701,411	$ –	$ 42,250	$ 184,890	$ 352,672	$ 353,943

See accompanying notes to financial statements.

CHILD AND FAMILY SERVICES OF CENTRAL MANITOBA

Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used in):		
Operating activities:		
(Deficiency) excess of revenues over expenditures	$ (1,271)	$ 137,453
Items not involving cash:		
Amortization of capital assets	20,131	18,313
Amortization of deferred contributions	(89,394)	(128,977)
Amortization of severance / retirement entitlement	7,967	7,552
	(62,567)	34,341
Change in non-cash operating working capital:		
Accounts receivable	12,963	(17,272)
Receivable from Child and Family Services of Central Manitoba Foundation Inc.	(2,665)	(2,606)
Receivable from Department of Family Services and Housing	50,455	(67,990)
Prepaid expenses	(5,502)	5,781
Accounts payable and accrued liabilities	35,097	9,748
Accrued vacation pay entitlement	16,204	10,615
Deferred severance / retirement entitlement	–	(100,875)
Accrued severance / retirement benefit	29,611	132,233
	73,596	3,975
Financing and investing activities:		
Additions to capital assets	(34,004)	(3,041)
Mortgage principal repayments	(24,029)	(21,971)
Additions to investments	(10,843)	(118,300)
Restricted contributions received	97,436	95,712
Payable to Central Region Healthy Child Coalition	(12,918)	24,657
	15,642	(22,943)
Increase (decrease) in cash	89,238	(18,968)
Cash, beginning of year	100,860	119,828
Cash, end of year	$ 190,098	$ 100,860

See accompanying notes to financial statements.

1. General:

The Agency is incorporated under the laws of Manitoba as The Children's Aid Society of Central Manitoba and operates under the name of Child and Family Services of Central Manitoba, providing child and family services to those in need in the central region of Manitoba. The Agency is a registered charitable Agency under the Income Tax Act.

2. Significant accounting policies:

The Agency follows the deferral method of accounting for contributions.

(a) Management estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires Management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

(b) Fund accounting:

Revenues and expenditures related to program delivery and administrative activities are reported in the Central / Program Support Fund.

Revenues and expenditures directly related to children in care and children not in care are reported in the Ward Care Fund.

Any revenues in excess of expenditures in the Ward Care Fund are restricted for ward care purposes unless prior approval is received from the Province of Manitoba.

Revenues and expenditures related to the Family Support Innovations Program are reported in the Family Support Innovations Fund.

The Capital Fund reports the assets, liabilities, revenues and expenditures related to the Agency's capital assets.

(c) Revenue recognition:

Restricted contributions are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the Central / Program Support Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies (continued):

(d) Capital assets:

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, which for buildings is 50 years and for equipment is 5 years. Amortization expense is reported in the Capital Fund.

(e) Investments:

Investments are recorded at the lower of cost and market value.

Investment income earned is unrestricted and is recorded in the Central / Program Support Fund.

(f) Contributed services:

Volunteers contribute numerous hours annually to assist the Agency in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(g) Vacation entitlement:

Vacation entitlement is recorded in the period that the service to which it relates is provided. Accrued vacation entitlement is recorded to the extent that a vacation entitlement liability exists at the period end.

Funding for the vacation entitlement is accrued in the period that the vacation entitlement is accrued. To the extent that this vacation entitlement funding has not been received by the period end, it is recorded as a receivable from the Department of Family Services.

(h) Defined Contribution Pension Plan:

The Organization's pension plan is administered by the United Way. All expenses consist of the contributions required under the plan.

(i) Severance / Retirement Entitlement:

Severance / Retirement entitlement is recorded in the period the service to which it relates is provided. Accrued severance / retirement is recorded to the extent that a severance / retirement liability exists at the period end. The liability is discounted from the date at which the employee would become entitled to an amount to the period end using a discount rate of 7%.

The net present value of the liability as at April 1, 2000, being the date at which the Agency became liable for the severance / retirement entitlement has been recorded as a deferred severance / retirement entitlement and is being amortized to expense on the straight-line basis over 13 years, being the average number of years until the employee group becomes entitled to an amount.

3. Receivable from Department of Family Services and Housing:

	2002	2001
Central / Program Support Fund:		
Accrued vacation pay entitlement	$ 147,909	$ 131,705
Staff secondment	8,788	28,290
	156,697	159,995
Ward Care Fund:		
Provincial Child Tax Benefit Overpayment	–	14,290
Recovery of exceptional costs	10,840	44,921
	10,840	59,211
	$ 167,537	$ 219,206

4. Capital assets:

			Net Book Value	
	Cost	Accumulated Amortization	2002	2001
Land	$ 8,172	$ –	$ 8,172	$ 8,172
Building	790,324	264,147	526,177	533,564
Furniture and equipment	47,932	38,958	8,974	6,594
Leasehold improvements	23,747	1,888	21,859	2,979
	$ 870,175	$ 304,993	$ 565,182	$ 551,309

5. Deferred contributions:

(a) Deferred contributions reported in the Family Support Innovation Fund relate to restricted contributions, which have not yet been disbursed for their intended purpose.

Changes in the deferred contributions balance reported in the Family Support Innovation Fund are as follows:

	2002	2001
Balance, beginning of year	$ 37,547	$ 83,689
Add restricted contributions received in the year	70,700	70,700
Less amount recognized as revenue in the year	76,118	116,842
Balance, end of year	$ 32,129	$ 37,547

(b) Deferred contributions reported in the Capital Fund include the unamortized portions of contributed capital assets and restricted contributions relating to the Agency's furniture and equipment and building.

Changes in the deferred contributions balance reported in the Capital Fund are as follows:

	2002	2001
Balance, beginning of year	$ 369,343	$ 356,466
Add restricted contributions received in the year and not yet disbursed	26,736	25,012
Less amount recognized as revenue in the year	13,276	12,135
	$ 382,803	$ 369,343

6. Lease commitments:

The Agency leases vehicles under long-term operating leases, which expire May 2004. The minimum lease payments due on these operating leases in the next three years is approximately as follows:

2003	$ 37,900
2004	37,500
2005	3,121

The Agency leases office premises and certain equipment under operating leases, which expire between January 2002 and June 2006. The following is a schedule of future minimum lease payments due in each of the next five years under these leases:

2003	$ 35,200
2004	31,700
2005	26,200
2006	22,600
2007	3,800

7. Financial instruments:

Fair value:

Due to the short-term nature of all financial instruments, other than investments, the carrying values as presented in the financial statements are reasonable estimates of fair value. Management has estimated fair value by reference to established financial markets. As is true for all estimates, actual fair value could differ from this estimate and, if so, any difference would be accounted for in the period in which it becomes known. For investments, it is not practical within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.

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AUDITORS' REPORT

TO BOARD OF DIRECTORS
CHILD & FAMILY SERVICES OF WESTERN MANITOBA:

We have audited the statement of financial position of **CHILD & FAMILY SERVICES OF WESTERN MANITOBA** as at **MARCH 31, 2002** and the statements of surplus and operations for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at **MARCH 31, 2002** and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Brandon, Manitoba
May 1, 2002

CHARTERED ACCOUNTANTS

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED
March 31, 2002

ASSETS	2002	2001
CURRENT		
Cash	$ **500,395**	537,674
Term deposits	**347,139**	344,969
Accounts receivable	**179,614**	176,967
Prepaid expenses	**57,711**	13,056
Employees' Trust Certificates	**689**	1,389
Discounted certificates	**9,117**	8,658
	1,094,665	1,082,713
CAPITAL ASSETS (Notes 3 and 4)	**2,153,086**	2,273,346
	$ 3,247,751	3,356,059

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED
March 31, 2002

	2002	2001
LIABILITIES		
CURRENT		
Deferred revenue	$ 10,809	75,000
Working capital advance	29,600	28,300
Accounts payable	170,511	106,178
Current portion of long-term debt	14,470	13,307
Funds held in trust	3,610	5,960
Employees' Trust Certificates	9,117	8,658
	238,117	237,403
LONG-TERM DEBT - BUILDING (Note 5)	733,691	749,184
SPECIAL ALLOWANCE TRUST FUND	111,647	125,040
	1,083,455	1,111,627
SURPLUS (DEFICIT)		
Operating Fund	359,230	328,210
Capital Fund	1,404,925	1,510,855
Trust Fund	400,141	405,367
	2,164,296	2,244,432
	$ 3,247,751	3,356,059

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - OPERATING FUND
March 31, 2002

ASSETS		2002	2001
CURRENT			
Cash	$	**304,274**	339,821
Term deposits		**11,145**	10,571
Accounts receivable		**174,514**	170,940
Prepaid expenses		**12,711**	13,056
	$	**502,644**	534,388

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - OPERATING FUND
March 31, 2002

	2002	2001
LIABILITIES		
CURRENT		
Deferred revenue	$ 10,809	75,000
Working capital advance	29,600	28,300
Accounts payable	103,005	102,878
	143,414	206,178
SURPLUS (DEFICIT)		
Central program support	235,281	157,581
Resource Centre		5,579
Family support services & Brandon Avenue Projects	82,236	45,155
Child maintenance	(82,413)	21,498
McVicar street		
Residential care	17,669	44,064
Early Learning Canada		
Adoptive families project	4,430	3,363
Parenting skills project	1,932	715
Parenting child centres	39,056	
Intensive crisis intervention		
Pre-school enrichment		521
Victoria day care	50,458	45,554
Early Start project	10,581	4,180
	359,230	328,210
	$ 502,644	534,388

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - TRUST FUND
March 31, 2002

ASSETS		2002	2001
CURRENT			
Cash	$	196,121	197,853
Term deposits		335,994	334,398
Accounts receivable		5,100	6,027
Employees' Trust Certificates		689	1,389
Discounted certificate		9,117	8,658
Prepaid expense		45,000	
	$	592,021	548,325

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - TRUST FUND
March 31, 2002

		2002	2001
LIABILITIES			
CURRENT			
Funds held in trust - clients	$	1,939	4,288
Accounts payable		67,506	
Discounted certificate		9,117	8,658
Vacation pay - McVicar			3,300
Client trust certificates		1,671	1,672
		80,233	17,918
SPECIAL ALLOWANCE TRUST FUND		111,647	125,040
		191,880	142,958
SURPLUS			
Surplus - Staff gift fund		2,630	2,024
Surplus - Sun fund		15,331	12,777
Surplus - Facility account		102,716	59,087
Surplus - Holding account		21,128	23,110
Surplus - Other trust accounts		20,383	21,021
Surplus - Endowment fund		212,627	249,355
Surplus - New main office building			
Surplus - Other trust programs		25,326	37,993
		400,141	405,367
	$	592,021	548,325

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - CAPITAL FUND
March 31, 2002

	2002	2001
ASSETS		
CAPITAL ASSETS (Notes 3 and 4)	$ 2,153,086	2,273,346
LIABILITIES		
CURRENT		
Current portion of long-term debt	14,470	13,307
LONG-TERM DEBT - BUILDING (Note 5)	733,691	749,184
	748,161	762,491
SURPLUS		
INVESTMENT IN CAPITAL ASSETS, per schedule	1,404,925	1,510,855
	$ 2,153,086	2,273,346

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - OPERATING FUND
March 31, 2002

		2002	2001
CENTRAL PROGRAM SUPPORT			
SURPLUS (DEFICIT), BEGINNING OF YEAR	$	157,581	(86,558)
Surplus for year		77,700	157,581
Deficit transfer			86,558
SURPLUS, END OF YEAR	$	235,281	157,581
RESOURCE CENTRE			
SURPLUS, BEGINNING OF YEAR	$	5,579	3,674
Surplus (deficit) for year		(5,579)	1,905
SURPLUS, END OF YEAR	$		5,579
FAMILY SUPPORT SERVICES & BRANDON AVENUE PROJECTS			
SURPLUS, BEGINNING OF YEAR	$	45,155	28,456
Surplus for year		37,081	16,699
SURPLUS, END OF YEAR	$	82,236	45,155
CHILD MAINTENANCE OPERATIONS			
SURPLUS, BEGINNING OF YEAR	$	21,498	289,041
Deficit for year - Child Maintenance		(101,863)	(30,611)
Surplus (deficit) for year - McVicor Street		(2,610)	12,640
Surplus (deficit) for year - J&B Project		562	(4,461)
Deficit - 8th Street and Brandon Avenue			(10,841)
Deficit transfer			(234,270)
SURPLUS (DEFICIT), END OF YEAR	$	(82,413)	21,498
RESIDENTIAL CARE			
SURPLUS, BEGINNING OF YEAR	$	44,064	52,319
Deficit for year		(26,395)	(8,255)
SURPLUS, END OF YEAR	$	17,669	44,064
EARLY LEARNING CANADA			
SURPLUS, END OF YEAR	$		

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - OPERATING FUND
March 31, 2002

		2002	2001
ADOPTIVE FAMILIES PROJECT			
SURPLUS, BEGINNING OF YEAR	$	3,363	6,580
Surplus (deficit) for year		1,067	(3,217)
SURPLUS, END OF YEAR	$	4,430	3,363
PARENTING SKILLS PROJECT			
SURPLUS (DEFICIT), BEGINNING OF YEAR	$	715	(8,470)
Surplus (deficit) for year		1,217	(9,618)
Surplus transfer			18,803
SURPLUS, END OF YEAR	$	1,932	715
PARENT CHILD CENTRES			
SURPLUS, BEGINNING OF YEAR	$		
Surplus for year		39,056	
SURPLUS, END OF YEAR	$	39,056	

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - OPERATING FUND
March 31, 2002

		2002	2001
INTENSIVE CRISIS INTERVENTION PROJECT			
SURPLUS, BEGINNING OF YEAR	$		18,803
Surplus transfer			(18,803)
SURPLUS, END OF YEAR	$		
PRESCHOOL ENRICHMENT			
SURPLUS, BEGINNING OF YEAR	$	521	
Surplus (deficit) for year		(521)	521
Surplus transfer			
SURPLUS, END OF YEAR	$		521
VICTORIA DAY CARE			
SURPLUS, BEGINNING OF YEAR	$	45,554	26,063
Surplus for year		4,904	19,491
SURPLUS, END OF YEAR	$	**50,458**	45,554
EARLY START PROJECT			
SURPLUS, BEGINNING OF YEAR	$	4,180	3,251
Surplus for year		6,401	929
SURPLUS, END OF YEAR	$	**10,581**	4,180

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF INVESTMENT IN CAPITAL ASSETS - CAPITAL FUND
March 31, 2002

	2002	2001
INVESTMENT IN CAPITAL ASSETS, BEGINNING OF YEAR	$ 1,510,855	1,568,132
Principle payments on mortgage made by operating fund	14,333	13,307
Capital assets purchased by Operating Fund and Trust Fund	94,241	57,235
Capital assets purchased by Capital Fund		1,450
	1,619,429	1,640,124
Amortization for the year	123,970	98,994
Disposals during the year	90,534	30,275
INVESTMENT IN CAPITAL ASSETS, END OF YEAR	$ 1,404,925	1,510,855

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - TRUST FUND
March 31, 2002

		2002	2001
STAFF GIFT FUND			
SURPLUS, BEGINNING OF YEAR	$	2,024	1,650
Surplus for year		606	374
SURPLUS, END OF YEAR	$	2,630	2,024
SUN FUND			
SURPLUS, BEGINNING OF YEAR	$	12,777	5,590
Surplus for year		2,554	7,187
SURPLUS, END OF YEAR	$	15,331	12,777
FACILITY FUND OPERATIONS			
SURPLUS, BEGINNING OF YEAR	$	59,087	82,679
Surplus (deficit) for year		43,629	(23,592)
SURPLUS, END OF YEAR	$	102,716	59,087
HOLDING ACCOUNT OPERATIONS			
SURPLUS, BEGINNING OF YEAR	$	23,110	19,615
Surplus (deficit) for year		(1,982)	3,495
SURPLUS, END OF YEAR	$	21,128	23,110
OTHER TRUST ACCOUNTS			
SURPLUS, BEGINNING OF YEAR	$	21,021	19,560
Surplus (deficit) for year		(638)	1,461
SURPLUS, END OF YEAR	$	20,383	21,021
ENDOWMENT FUND			
SURPLUS, BEGINNING OF YEAR	$	249,355	238,401
Surplus (deficit) for year		(36,728)	10,954
SURPLUS, END OF YEAR	$	212,627	249,355

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - TRUST FUND
March 31, 2002

		2002	2001
OTHER TRUST PROGRAMS			
SURPLUS, BEGINNING OF YEAR	$	37,993	
Surplus (deficit) for year		(12,667)	37,993
SURPLUS, END OF YEAR	$	25,326	37,993

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OPERATIONS - COMBINED - OPERATING FUND
Year ended March 31, 2002

	2002 Approved (Unaudited)	Actual	2001 Actual
REVENUE			
Central program	$ 3,654,637	3,655,236	3,465,202
Resource Centre	244,014	232,559	240,088
Family support services	392,800	425,255	409,757
Brandon Avenue Project		172,052	118,417
Child maintenance	2,087,441	2,146,244	2,131,035
McVicor street		88,944	195,184
J & B Project	183,175	172,052	118,417
Residential Care	785,367	744,985	765,684
Early Learning Canada		9,319	
Adoptive families project	46,200	46,200	46,200
Parenting skills project	54,500	54,500	54,500
Child Care Centres	75,000	75,000	
Pre-school enrichment	214,196	217,415	191,352
Victoria day care	290,036	301,249	301,961
Early start	78,000	78,000	107,000
	8,105,366	8,419,010	8,144,797
EXPENSES, per schedule	8,068,346	8,312,410	7,938,155
SURPLUS BEFORE TRANSFER TO CAPITAL FUND	37,020	106,600	206,642
Transfer to Capital Fund	62,600	73,217	57,235
SURPLUS (DEFICIT) ON OPERATING FUND OPERATIONS FOR YEAR	$ (25,580)	33,383	149,407

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF EXPENDITURES - COMBINED - OPERATING FUND
Year ended March 31, 2002

	2002 Approved (Unaudited)	Actual	2001 Actual
Central program	$ 3,599,637	3,532,980	3,258,563
Resource Centre	243,014	237,320	237,355
Family support services	392,800	388,174	393,862
Brandon Avenue Project		169,689	121,810
Child maintenance	2,105,949	2,248,107	2,161,646
McVicor street		91,554	182,544
J & B Project	182,175	169,689	121,810
Residential Care	777,762	745,338	768,849
Early Learning Canada		9,319	
Adoptive families project	46,200	45,133	49,417
Parenting skills project	54,500	53,283	64,118
Child Care Centres	75,000	35,944	
Pre-school enrichment	213,596	217,936	190,191
Victoria day care	299,921	296,345	281,919
Early start	77,792	71,599	106,071
	$ 8,068,346	8,312,410	7,938,155

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OPERATIONS - CENTRAL PROGRAM SUPPORT - OPERATING FUND

March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
REVENUE			
Grants, Province of Manitoba	$ 3,366,500	3,364,900	3,237,100
Residential Care contract fees	57,989	57,990	50,888
Rebates and interest	21,000	18,721	25,414
Secondment costs	90,286	86,784	48,398
School Division revenue	22,912	23,048	34,356
Adoption fees	12,000	10,790	12,313
Community Campaign	8,000	8,000	1,000
Miscellaneous	8,000	17,469	8,585
Program Administration revenue	14,100	19,890	24,681
Foundation Transfer Central Program	23,850	23,644	22,467
Community Services Council grant	30,000	24,000	
	3,654,637	3,655,236	3,465,202
EXPENDITURES, per schedule			
Salaries, fees and related expenses	3,002,720	2,973,069	2,705,700
Field service	137,600	126,599	129,312
Office operation	122,392	120,383	113,282
Professional services	75,300	63,527	75,421
Staff development	13,500	12,221	11,647
Board expenses	14,500	16,914	10,446
Other expenses	64,000	52,349	46,255
Other Centres	57,196	57,701	57,193
Main office operations	112,429	110,217	109,307
	3,599,637	3,532,980	3,258,563
SURPLUS BEFORE TRANSFER TO CAPITAL FUND	55,000	122,256	206,639
Transfer to Capital Fund	55,000	44,556	49,058
SURPLUS ON CENTRAL PROGRAM SUPPORT FOR YEAR	$	77,700	157,581

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CENTRAL PROGRAM SUPPORT EXPENDITURES - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
SALARIES, FEES AND RELATED EXPENSES			
Central support services	$ 151,931	151,799	144,472
Administration salaries	344,843	346,874	303,268
Supervisor salaries	380,452	380,452	371,811
Direct service - professionals	1,720,248	1,645,913	1,532,611
Payroll tax	55,926	55,401	50,803
Central program benefits	349,320	325,124	302,735
Severence package		67,506	
	3,002,720	2,973,069	2,705,700
FIELD SERVICE COSTS			
Car operation	49,000	36,469	48,104
Private mileage	50,000	49,818	45,907
Travelling	16,500	17,103	16,301
Car insurance	22,100	23,209	19,000
	137,600	126,599	129,312
OFFICE OPERATIONS			
Equipment	4,000	570	3,786
Repairs and maintenance	1,000	224	332
Computer, payroll and miscellaneous costs	7,150	7,580	6,698
Computer support	7,100	6,543	7,388
Postage	12,840	13,339	9,490
Telephone and telegragh	55,000	50,868	51,337
Supplies	17,000	19,298	16,369
Miscellaneous	1,000	5,000	55
Audit	8,600	8,482	9,350
Lease payments	8,677	8,479	8,477
Interest and exchange	25		
	$ 122,392	120,383	113,282

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CENTRAL PROGRAM SUPPORT EXPENDITURES - OPERATING FUND

March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
PROFESSIONAL SERVICES			
Legal	$ 65,000	42,617	68,149
Foster Home Study		10,405	
Consulting	7,000	7,472	4,191
Documents	3,300	3,033	3,081
	75,300	63,527	75,421
STAFF DEVELOPMENT			
Staff in training	12,000	10,950	11,002
Library	1,500	1,271	645
	13,500	12,221	11,647
BOARD EXPENSES			
Board training and expenses	14,500	16,914	10,446
OTHER			
Advertising	5,000	4,712	7,973
Membership fees	3,700	3,695	3,324
Family assistance	7,000	9,585	4,692
Annual meeting and public relations	11,500	10,224	9,200
Insurance	13,000	11,175	12,598
Program supplies	7,700	7,113	4,703
Program evaluation	5,000		
Rural community programs	8,000	2,745	665
M.A.P.P.	3,100	3,100	3,100
	64,000	52,349	46,255
OTHER BUILDINGS			
Rent	$ 57,196	57,701	57,193

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CENTRAL PROGRAM SUPPORT EXPENDITURES - OPERATING FUND
March 31, 2002

		2002		2001
		Approved (Unaudited)	Actual	Actual
MAIN OFFICE OPERATIONS				
Mortgage payments	$	70,531	70,531	70,531
Repairs and maintenance		8,000	6,992	6,552
Janitorial		6,456	6,476	6,455
Office supplies		1,700	1,733	1,584
Hydro		9,100	8,893	8,864
Water		1,100	1,462	1,056
Gas		3,300	1,888	1,762
Property taxes		12,242	12,242	12,503
	$	112,429	110,217	109,307

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF RESOURCE CENTRE OPERATIONS - OPERATING FUND
March 31, 2002

	2002 Approved (Unaudited)	2002 Actual	2001 Actual
REVENUE			
Building operations	$ 54,000	54,000	54,000
Agency responsibility			39,405
Career start grant			770
Miscellaneous	6,650	11,977	6,706
Brandon and District United Way	17,500	20,493	30,092
Foundation	68,000	68,000	70,000
Endowment transfer	65,254	45,379	
Campaign and donations	15,110	15,110	18,615
City of Brandon grant	15,000	15,000	20,500
Visitation access service	2,500	2,600	
	244,014	232,559	240,088
EXPENDITURES, per schedule			
Salaries	146,362	132,694	142,605
Program	21,800	27,060	23,739
Office and building	74,852	77,566	71,011
	243,014	237,320	237,355
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	1,000	(4,761)	2,733
Transfer to Capital Fund	1,000	818	828
SURPLUS (DEFICIT) ON RESOURCE CENTRE OPERATIONS FOR YEAR	$	(5,579)	1,905

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF RESOURCE CENTRE EXPENDITURES - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
SALARIES, FEES AND RELATED EXPENSES			
F.L.E. Salaries	$		15,256
Salaries - Other Centres	110,592	100,921	96,072
Career Start Hourly	2,750	3,593	2,684
Benefits	18,740	15,759	14,505
Child care salaries	11,250	9,806	11,409
Payroll tax	3,030	2,615	2,679
	146,362	132,694	142,605
PROGRAM EXPENSES			
Food	2,500	1,429	2,255
Kitchen and cleaning supplies	1,200	1,585	1,297
Child care activities	2,000	2,132	2,141
Program supplies	9,000	10,820	10,128
Transportation	6,000	9,616	6,439
Advertising	400	569	544
Staff training	300	489	530
Camp supplies	400	420	405
	21,800	27,060	23,739
OFFICE/BUILDING MAINTENANCE			
Supplies	900	1,717	1,224
Repairs and maintenance	7,000	7,347	4,769
Equipment and furniture	1,000	1,265	695
Cleaning costs	7,000	6,614	7,249
Telephone	4,600	5,016	4,568
Hydro	8,150	6,190	8,089
Water	750	1,103	880
Gas	7,500	10,804	6,130
Insurance	5,188	4,747	5,128
Rent	32,764	32,763	32,279
	$ 74,852	77,566	71,011

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FAMILY SUPPORT SERVICES OPERATIONS - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	**Actual**	Actual
REVENUE			
Province of Manitoba Family support	**352,800**	**352,800**	352,800
Miscellaneous			296
Adoption - financial assistants	**40,000**	**72,455**	56,661
	392,800	**425,255**	409,757
EXPENDITURES			
Support worker salaries and benefits	**127,948**	**109,762**	131,080
Social workers assistants salaries and benefits	**38,680**	**39,005**	38,653
Family aides salaries and benefits	**97,898**	**102,235**	93,419
Homemaker salaries and benefits	**32,955**	**13,793**	31,595
Staff development		**900**	
Support miscellaneous	**2,150**	**1,321**	3,930
Other family support	**14,987**	**13,546**	
Support travel costs	**35,000**	**32,654**	35,591
Cell phones - support workers	**3,182**	**2,503**	2,933
Adoption - financial assistants	**40,000**	**72,455**	56,661
	392,800	**388,174**	393,862
SURPLUS ON FAMILY SUPPORT SERVICES FOR YEAR	**$**	**37,081**	15,895

STATEMENT OF BRANDON AVENUE PROJECT OPERATIONS - OPERATING FUND
March 31, 2002

	2002 Approved (Unaudited)	2002 Actual	2001 Actual
REVENUE			
Children Special Services	$ 45,000	45,000	32,181
Support transfer	14,987	13,546	
Province of Manitoba Exceptional Circumstances			18,750
Miscellaneous			442
	59,987	58,546	51,373
EXPENDITURES			
Salaries and benefits	53,387	52,109	44,305
Food	1,200	480	812
Transportation	3,000	3,381	3,030
Miscellaneous	400	576	422
Administration costs	2,000	2,000	2,000
	59,987	58,546	50,569
SURPLUS ON BRANDON AVENUE PROJECT OPERATIONS FOR YEAR	$		804

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF CHILD MAINTENANCE OPERATIONS - OPERATING FUND
March 31, 2002

	2002 Approved (Unaudited)	2002 Actual	2001 Actual
REVENUE			
Province of Manitoba - level 1	1,535,300	1,533,722	1,448,648
Parent and guardian	14,000	14,693	16,576
Exceptional circumstances/Repat	363,597	461,291	468,556
Repat	1,000	152	528
Special needs - other agencies		81,235	107,701
Basic - other agencies	173,544	53,762	88,402
Miscellaneous		1,389	624
	2,087,441	2,146,244	2,131,035
EXPENDITURES, per schedule	2,105,949	2,248,107	2,161,646
DEFICIT ON CHILD MAINTENANCE OPERATIONS FOR YEAR	$ (18,508)	(101,863)	(30,611)

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CHILD MAINTENANCE EXPENDITURES - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
Regular rate foster home	$ 847,500	836,193	798,657
Independent living	70,000	71,026	68,330
Gifts	13,000	10,572	10,930
Education	26,000	23,015	23,525
Activities	26,000	26,096	25,372
Emergency homes	1,000	857	438
Emergency retainer	18,000	14,923	17,988
Damage and special occasions	2,000	3,849	4,557
Transportation	43,000	34,893	42,488
Special rate - foster homes	335,000	447,803	343,450
Special rate - 8th street	46,994	45,955	31,726
Non-pay shelter costs	3,200	5,553	2,771
Day Care	1,300	2,536	2,026
Miscellaneous	5,000	2,475	2,585
Respite - foster parent	27,000	36,739	28,091
Home visits	45,000	42,153	41,653
Therapy	14,000	12,696	16,502
Medical	8,400	7,321	9,913
Initial clothing	10,000	14,780	10,564
Age of majority	6,000	4,500	3,940
Children in care support	19,414	10,963	14,060
Repatriation costs	1,000	152	528
Exceptional circumstances	5,000	-	3,164
Regular rate - other agencies	74,624	50,451	83,149
Agency allowances - other agencies	5,206	2,531	5,012
Special rate - other agencies	93,714	78,783	104,835
Travel out of Province	1,000		3,489
Extra one time expense	10,000	83,553	6,732
Level V - Service	347,597	377,739	455,171
	$ 2,105,949	2,248,107	2,161,646

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF MCVICOR STREET OPERATIONS - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
REVENUE			
Basic maintenance	$	73	7,144
Special rate		1,866	170,252
Family Visions		83,705	
Department of Education			17,788
CFS Vacation Trust		3,300	
		88,944	195,184
EXPENDITURES, per schedule			
Salaries		91,072	150,528
Building and administration costs		452	19,401
Direct costs		30	12,615
		91,554	182,544
SURPLUS (DEFICIT) ON MCVICOR STREET OPERATIONS FOR YEAR	$	(2,610)	12,640

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF MCVICOR STREET EXPENDITURES - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
SALARIES, FEES AND RELATED EXPENSES			
Salaries	$	77,949	107,836
Employee benefits		10,055	10,109
Relief		1,340	10,084
Payroll tax		1,728	2,463
Home care McVicar			20,036
		91,072	150,528
BUILDING AND ADMINISTRATION			
Rent		300	7,200
Repairs and maintenance			944
Equipment and furniture			2,149
Utilities		151	3,225
Telephone			405
Administration		1	5,051
Insurance			267
Advertising			128
Miscellaneous			32
		452	19,401
DIRECT COSTS			
Activities			619
Personel allowance			560
Gifts			52
Health			171
Transportation		30	3,360
Food			5,224
Kitchen and cleaning			1,885
Education			744
	$	30	12,615

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF J & B PROJECT OPERATIONS - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
REVENUE			
Start-up grant	$		2,000
Basic maintenance	15,987	15,994	11,831
Special rate	167,188	156,058	101,586
Special allowance trust			3,000
	183,175	172,052	118,417
EXPENDITURES, per schedule			
Salaries and benefits	149,992	144,331	95,278
Building and administration costs	11,712	9,659	14,389
Direct costs	20,471	15,699	12,143
	182,175	169,689	121,810
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	1,000	2,363	(3,393)
Transfer to Capital Fund	1,000	1,801	1,068
SURPLUS (DEFICIT) ON J & B PROJECT OPERATIONS FOR YEAR	$	562	(4,461)

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF J & B PROJECT EXPENDITURES - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
SALARIES AND BENEFITS			
Salaries	$ 114,892	109,096	83,904
Relief	14,479	16,000	2,741
Employee benefits	17,801	16,515	6,764
Payroll tax	2,820	2,720	1,869
	149,992	144,331	95,278
BUILDING AND ADMINISTRATION COSTS			
Rent	6,120	6,074	5,707
Equipment and furniture	1,000	202	5,364
Repairs and maintenance	1,000	463	693
Utilities	2,000	1,753	1,266
Telephone	780	724	586
Building insurance	60	113	52
Administration costs	200	153	641
Miscellaneous	200		5
Staff training	352	30	75
Advertising		147	
	11,712	9,659	14,389
DIRECT COSTS			
Food	7,000	5,956	3,544
Household	1,100	806	987
Clothing	1,635	1,347	543
Personal allowance	1,095	932	643
Activities	1,200	1,706	1,164
Education	657	361	445
Health	584	147	432
Transportation	7,000	4,257	4,158
Gifts	200	187	227
	$ 20,471	15,699	12,143

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF RESIDENTIAL CARE OPERATIONS - OPERATING FUND
March 31, 2002

		2002		2001
		Approved (Unaudited)	Actual	Actual
REVENUE				
Province of Manitoba fees	$	541,367	465,612	505,853
Province of Manitoba grant		244,000	244,000	241,700
Program redevelopment			2,474	
Special relief			7,698	17,006
Miscellaneous			25,201	1,125
		785,367	744,985	765,684
EXPENDITURES, per schedule				
Salaries and benefits		634,749	627,880	637,622
Building		61,456	51,793	61,550
Administration		6,175	6,993	4,270
Direct		75,382	58,672	65,407
TOTAL EXPENDITURES		777,762	745,338	768,849
SURPLUS BEFORE TRANSFER TO CAPITAL FUND		7,605	(353)	(3,165)
Transfer to Capital Fund		4,000	26,042	5,090
SURPLUS (DEFICIT) ON RESIDENTIAL CARE OPERATIONS FOR YEAR	$	3,605	(26,395)	(8,255)

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF RESIDENTIAL CARE EXPENDITURES - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
SALARIES AND BENEFITS			
Salary costs	$ 492,216	477,620	467,134
Relief costs	55,510	67,256	76,751
Special relief costs		2,921	14,698
Employee benefits	72,947	66,049	64,728
Payroll levy	11,940	11,912	11,946
Workers' compensation	2,136	2,122	2,365
	634,749	627,880	637,622
BUILDING			
Mortgages	20,847	20,848	20,540
Utilities	9,500	10,634	8,706
Household supplies	5,000	3,656	4,791
Repairs and maintenance	17,600	8,643	18,168
Insurance	7,009	6,396	6,949
Equipment	1,500	1,416	2,396
	61,456	51,793	61,550
ADMINISTRATION			
Office supplies	300	503	503
Advertising	400		
Bank charges	25	57	123
Miscellaneous	200	(60)	82
Telephone	2,850	2,996	2,724
Staff training	2,400	3,497	838
	$ 6,175	6,993	4,270

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF RESIDENTIAL CARE EXPENDITURES - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	**Actual**	Actual
DIRECT			
Food	**32,000**	**26,219**	28,553
Clothing	**10,264**	**7,677**	8,370
Personal allowances	**6,500**	**4,505**	4,980
Education	**1,571**	**1,247**	1,279
Group activity allowance	**10,076**	**5,349**	8,008
Gifts	**1,600**	**1,218**	1,754
Medical	**871**	**1,135**	697
Transportation	**12,500**	**11,322**	11,766
	$ 75,382	**58,672**	65,407

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF EARLY LEARNING CANADA OPERATIONS - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
REVENUE			
Brandon School Division	$	9,319	
EXPENDITURES			
Salaries and benefits		3,897	
Child care		1,519	
Food		297	
Transportation		41	
Books and supplies		1,518	
Advertising		137	
Administration costs		710	
Staff training		1,200	
Transportation			
		9,319	
SURPLUS ON EARLY LEARNING CANADA OPERATIONS FOR YEAR	$		

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF ADOPTIVE FAMILIES PROJECT OPERATIONS - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
REVENUE			
Grant	$ 46,200	46,200	46,200
EXPENDITURES			
Salaries and benefits	40,832	39,758	45,817
Program administration costs	3,328	3,335	2,600
Travel	2,040	2,040	1,000
	46,200	45,133	49,417
SURPLUS (DEFICIT) ON ADOPTIVE FAMILIES PROJECT FOR YEAR	$	1,067	(3,217)

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF PARENTING SKILLS PROJECT OPERATIONS - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
REVENUE			
Province of Manitoba grant	$ 54,500	54,500	54,500
EXPENDITURES			
Salaries and benefits	52,500	51,151	62,896
Program supplies	2,000	2,132	1,222
	54,500	53,283	64,118
SURPLUS (DEFICIT) ON PARENTING SKILLS PROJECT FOR YEAR	$	1,217	(9,618)

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF PARENT CHILD CENTRES OPERATIONS - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
REVENUE			
Healthy Child Manitoba Grant	$ 75,000	75,000	
EXPENDITURES			
Salaries	60,850	25,551	
Employee benefits	6,150	2,330	
Child care costs	5,000	5,950	
Program supplies	2,000	879	
Administration costs	1,000	1,000	
Staff training		234	
	75,000	35,944	
SURPLUS ON PARENT CHILD CENTRES FOR YEAR	$	39,056	

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF PRE-SCHOOL ENRICHMENT OPERATIONS - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
REVENUE			
Department of Family Services Transportation	$ 7,800	4,453	5,112
Grant maintenance	14,539	15,182	13,837
Fees - province	73,800	70,581	72,290
Fees - parent	9,720	15,682	18,382
Private funds	87,221	86,617	67,059
Quota club grant			750
Disabilities Grant	21,116	24,728	12,637
Bad Debt Recovery		82	738
Other		90	547
	214,196	217,415	191,352
EXPENDITURES, per schedule			
Staff salaries and benefits	163,935	169,190	138,988
Program	7,789	7,094	8,093
Office and building	18,364	18,005	17,322
Administration	23,508	23,647	25,788
	213,596	217,936	190,191
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	600	(521)	1,161
Transfer to Capital Fund	600		640
SURPLUS (DEFICIT) ON PRE-SCHOOL ENRICHMENT OPERATIONS FOR YEAR	$	(521)	521

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF PRE-SCHOOL ENRICHMENT EXPENDITURES - OPERATING FUND
March 31, 2002

		2002		2001
		Approved (Unaudited)	Actual	Actual
STAFF SALARIES AND BENEFITS				
Salaries	$	144,391	146,854	120,098
Benefits		19,544	22,336	18,890
		163,935	169,190	138,988
PROGRAM				
Food		4,864	4,439	4,689
Kitchen and cleaning supplies		350	346	343
Activity supplies		500	497	507
Equipment and furniture		1,000	827	897
Equipment repairs		75	57	
Special projects		1,000	928	920
Quota Club Expenduture				737
		7,789	7,094	8,093
OFFICE AND BUILDING				
Rent		10,089	10,089	9,940
Repairs and maintenance		1,515	2,180	1,074
Contract cleaners		1,500	1,428	1,267
Leasehold improvements		300	471	1,197
Equipment		100	90	167
Utilities		4,860	3,747	3,677
	$	18,364	18,005	17,322

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF PRE-SCHOOL ENRICHMENT EXPENDITURES - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
ADMINISTRATION			
Postage	$ 250	208	200
Advertising and office supplies	150	325	
Telephone	1,300	1,301	1,222
Insurance	1,951	1,776	1,951
Travel	13,000	12,526	14,653
Staff training	600	515	1,335
Audit fee	1,257	1,414	1,431
Bad debt - preschool	5,000	5,582	4,996
	$ 23,508	23,647	25,788

STATEMENT OF VICTORIA DAY CARE OPERATIONS - OPERATING FUND
March 31, 2002

	2002 Approved (Unaudited)	2002 Actual	2001 Actual
REVENUE			
Department of Family Services grant	$ 77,941	78,877	71,012
Handicapped staffing grant	22,723	33,136	31,798
Fees - province	132,600	116,135	141,996
Bad debt recovery		100	122
Parents fees	56,272	71,400	56,161
Challenge grant		943	
Miscellaneous	500	658	872
	290,036	301,249	301,961
EXPENDITURES, per schedule			
Staff salaries and benefits	251,607	247,547	233,428
Program	15,603	14,879	15,772
Office and building	21,678	21,212	19,798
Administration	11,033	12,707	12,921
	299,921	296,345	281,919
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	(9,885)	4,904	20,042
Transfer to Capital Fund	1,000		551
SURPLUS (DEFICIT) ON VICTORIA DAY CARE OPERATIONS FOR YEAR	$ (10,885)	4,904	19,491

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF VICTORIA DAY CARE EXPENDITURES - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
STAFF SALARIES AND BENEFITS			
Salaries	$ 216,735	215,713	204,863
Benefits	34,872	31,834	28,565
	251,607	247,547	233,428
PROGRAM			
Food	11,453	10,862	11,023
Kitchen and cleaning supplies	1,700	1,791	1,920
Activity supplies	800	679	1,027
Equipment and furniture	900	856	1,468
Equipment repairs	250	150	25
Special projects	500	541	309
	15,603	14,879	15,772
OFFICE AND BUILDING			
Rent	11,568	11,568	11,397
Repairs and maintenance	2,500	2,943	1,896
Contract cleaners	2,400	2,256	2,179
Equipment and furniture		67	377
Leasehold improvements	350		142
Utilities	4,860	4,378	3,807
	$ 21,678	21,212	19,798

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF VICTORIA DAY CARE EXPENDITURES - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
ADMINISTRATION			
Telephone	$ 875	718	922
Postage	500	412	372
Insurance	1,951	1,776	1,951
Association fees	175	175	175
Advertising	250	484	57
Travel	350	515	227
Staff training	675	552	1,688
Audit fee	1,257	1,414	1,431
Library		14	
Bad debts expense	5,000	6,647	6,098
	$ 11,033	12,707	12,921

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF EARLY START PROJECT OPERATIONS - OPERATING FUND
March 31, 2002

	2002 Approved (Unaudited)	2002 Actual	2001 Actual
REVENUE			
Early start revenue	78,000	78,000	107,000
EXPENDITURES, per schedule			
Program	64,461	60,187	76,657
Office and building	13,331	11,412	29,414
TOTAL EXPENDITURES	77,792	71,599	106,071
SURPLUS ON EARLY START PROJECT OPERATIONS FOR YEAR	$ 208	6,401	929

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF EARLY START PROJECT EXPENDITURES - OPERATING FUND
March 31, 2002

	2002		2001
	Approved (Unaudited)	Actual	Actual
PROGRAM			
Home visitor salaries and benefits	54,893	50,275	69,862
Other salaries and benefits	3,668	4,342	965
Travel	2,400	1,536	2,232
Training	1,000	627	1,354
Supplies	1,500	1,342	770
Toys	500	1,662	1,066
Workshops	400	366	397
Miscellaneous	100	37	11
	64,461	60,187	76,657
FACILITY SERVICE COSTS			
Co-ordinator salary and benefits			17,849
Travel	100		59
Secretarial	1,000	1,000	1,500
Office	1,500	832	1,228
Telephone	1,800	1,649	1,615
Audit and accounting fees	300	300	300
Administration and supervision	7,631	7,631	6,800
Equipment repairs and maintenance	1,000		63
	$ 13,331	11,412	29,414

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OPERATIONS - COMBINED - TRUST FUND
March 31, 2002

		2002	2001
REVENUE			
Staff gift fund	$	3,285	2,168
Sun fund		62,155	59,858
Facility fund		84,173	93,973
Holding account		21,128	23,110
Other trust accounts		7,930	9,527
Endowment fund		94,573	19,599
Other trust programs		15,519	45,670
		288,763	253,905
EXPENDITURES			
Staff gift fund		2,679	1,794
Sun fund		59,601	52,671
Facility fund		19,519	117,565
Holding account		23,110	19,615
Other trust accounts		8,568	8,066
Endowment fund		131,301	8,645
Other trust programs		28,186	7,677
		272,964	216,033
SURPLUS BEFORE TRANSFER TO CAPITAL FUND		15,799	37,872
Transfer to Capital Fund		21,025	
SURPLUS (DEFICIT) FOR YEAR	$	(5,226)	37,872

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF STAFF GIFT FUND OPERATIONS - TRUST FUND
March 31, 2002

		2002	2001
REVENUE			
Staff contributions	$	3,285	2,168
EXPENDITURES			
Gift purchases		2,679	1,794
SURPLUS FOR YEAR	$	606	374

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SUN FUND OPERATIONS - TRUST FUND
March 31, 2002

	2002	2001
REVENUE		
Charitable donations	$ 990	1,378
Culture and Heritage	5,000	5,000
Grant revenue - provincial	166	
Grant revenue - federal	1,964	1,980
CFS Foundation grant	53,345	50,000
Interest	690	1,500
	62,155	59,858
EXPENDITURES		
Camp fees	47,272	41,656
Office	2,315	2,016
Other	668	519
Salaries	7,063	5,460
Transportation	2,283	3,020
	59,601	52,671
SURPLUS FOR YEAR	$ 2,554	7,187

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FACILITY FUND OPERATIONS - TRUST FUND
March 31, 2002

		2002	2001
REVENUE			
Interest	$	4,003	7,242
Miscellaneous			4,296
Rent		80,170	82,435
		84,173	93,973
EXPENDITURES			
CFS supplements			97,818
Property taxes		18,937	19,429
Repairs and maintenance		582	318
		19,519	117,565
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND		64,654	(23,592)
Transfer to Capital Fund		21,025	
SURPLUS (DEFICIT) ON FACILITY FUND OPERATIONS FOR YEAR	$	43,629	(23,592)

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF HOLDING ACCOUNT OPERATIONS - TRUST FUND
March 31, 2002

		2002	2001
REVENUE			
Community campaign	$	**20,498**	22,500
Memberships		**630**	610
		21,128	23,110
EXPENDITURES			
Community campaign expenses		**23,110**	19,615
SURPLUS (DEFICIT) FOR YEAR	**$**	**(1,982)**	3,495

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OTHER TRUST ACCOUNT OPERATIONS - TRUST FUND
March 31, 2002

		2002	2001
REVENUE	$	**7,930**	9,527
EXPENDITURES		**8,568**	8,066
SURPLUS (DEFICIT) FOR YEAR	$	**(638)**	1,461

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF ENDOWMENT FUND OPERATIONS - TRUST FUND
March 31, 2002

		2002	2001
REVENUE			
Interest earned	$	**9,592**	18,099
Capital campaign		**84,981**	1,500
		94,573	19,599
EXPENDITURES			
CFS supplements		**131,301**	8,645
SURPLUS (DEFICIT) ON ENDOWMENT FUND OPERATIONS FOR YEAR	$	**(36,728)**	10,954

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OTHER PROGRAMS - TRUST FUND
March 31, 2002

		2002	2001
REVENUE			
Training Programs - fees	$	1,140	16,670
Special Grant - CWLC Abuse Prevention grant			5,000
Grant - Manitoba Community Services Council Inc.			24,000
Grant - downtown daycare		4,186	
Downtown daycare		9,800	
Interest income		393	
		15,519	45,670
EXPENDITURES			
Training program - program costs			7,177
Special grant - CWLC Abuse Prevention expenses			500
Downtown daycare grant expenses		4,186	
Innovatice Care expense		24,000	
		28,186	7,677
SURPLUS (DEFICIT) ON OTHER PROGRAMS - TRUST FUND OPERATIONS FOR YEAR	$	(12,667)	37,993

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

1. ENTITY DEFINITION

The organization is a registered charity. Any surplus it may generate is non-taxable.

2. FUND ACCOUNTING

Child & Family Services of Western Manitoba follows the restricted method of accounting for contributions.

The Operating Fund accounts for the program delivery and administration activities

The Capital Fund records the assets, liabilities, revenues and expenses related to Child & Family Services of Western Manitoba's capital assets.

The Trust Fund reports resources held in trust for purposes outside of normal program delivery and administration purposes. Investment income and money recieved by the Trust Fund is reported as revenue in the Trust Fund and expenses relating directly to the trust funds are recorded as expenses in the Trust Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital Assets

The costs of capital assets acquired are recorded as a transfer to the Capital Fund.

The cost of capital assets are recorded in the Investment in Capital Assets and amortization is treated as an annual reduction of the Investment in Capital Assets.

Investments

The investments are recorded at the lower of cost and net realizable value.

Accrued Vacation Pay

As specified by the the Department of Family Services, vacation pay owing to employees at March 31 has not been accrued in the financial statements.

CHILD & FAMILY SERVICES OF WESTERN MANITOBA

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

4. CAPITAL ASSETS

	2002			2001
	Cost	Accumulated Amortization	Net Value	Net Value
800 MacTavish Avenue				
Building and land	$ 812,774	(73,760)	739,014	756,958
Office equipment and furniture	262,334	(163,427)	98,907	111,431
Other Centres				
Building and land	1,064,119	(154,616)	909,503	933,606
Equipment	74,750	(23,212)	51,538	54,457
2227 Brandon Avenue				
Building and land	213,087	(114,942)	98,145	81,787
Equipment	30,419	(19,784)	10,635	12,155
Cypress House				
Building and land	120,876	(51,985)	68,891	71,182
Equipment	33,035	(22,371)	10,664	11,720
7th Street House				
Building and land	76,370	(37,286)	39,084	40,595
Equipment	19,741	(16,056)	3,685	4,146
8th Street House				
Building and land				80,459
Equipment				3,098
Automobiles	420,622	(300,004)	120,618	110,738
J & B Project				
Equipment	2,869	(467)	2,402	1,014
	$ 3,130,996	(977,910)	2,153,086	2,273,346

5. LONG TERM DEBT

		2002	2001
Royal Trust mortgage, repayable $5,878 monthly including interest at 7.85%, secured by land and building, matures 2008	$	**748,161**	762,491
Current portion		**14,470**	13,307
	$	**733,691**	749,184

Principal payments due in the next five years are as follows:

2003	- $	14,470
2004	-	15,601
2005	-	16,821
2006	-	18,136
2007	-	19,242

6. COMMITMENTS

The organization leases office equipment under operating leases. Minimum lease payments due in the next five years are as follows:

2003	- $	6,498
2004	-	6,498
2005	-	3,249
2006	-	
2007	-	

7. ECONOMIC DEPENDENCE

Child & Family Services of Western Manitoba is economically dependent upon the Provincial Government of Manitoba for funding.

8. STATEMENT OF CASH FLOWS

A Statement of Cash Flows has not been provided as it would not provide any further information to the users of the financial statements.

9. ACCRUED VACATION PAY

At March 31, 2001, Child & Family Services of Western Manitoba had a vacation pay liability to employees of $321,034. As per Note 3, this amount has not been accrued in the financial statements.

HMA

HAUGEN MORRISH ANGERS

CHARTERED ACCOUNTANTS

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The Pas, Manitoba R9A 1L2
- Tel: (204) 623-5437
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AUDITORS' REPORT

To The Board of Directors
Communities Economic Development Fund

We have audited the balance sheet of Communities Economic Development Fund as at March 31, 2002 and the statement of operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2002 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Haugen Morrish Angers
CHARTERED ACCOUNTANTS

The Pas, Manitoba
June 6, 2002

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT 1

BALANCE SHEET

MARCH 31

	2002	2001
ASSETS		
Cash	$ 193,571	$ 325,281
Trust deposits	297,528	7,245
Due from Province of Manitoba *(Note 3)*	2,178,588	2,031,271
Accounts receivable	65,633	72,958
Advances *(Note 13)*		169,055
Life insurance receivable		13,631
Property held for resale	109,920	51,251
Prepaid expenses	16,530	16,582
Loans receivable *(Note 4)*	18,224,470	18,351,129
	21,086,240	21,038,403
CAPITAL ASSETS (Note 7)	41,910	37,707
	$ 21,128,150	$ 21,076,110
LIABILITIES		
Accounts payable and accrued liabilities	$ 540,987	$ 219,252
Accrued pension liability *(Note 2)*	1,336,441	1,229,317
Interest payable to the Province of Manitoba	723,717	605,645
Advances by the Province of Manitoba *(Note 8)*	18,527,005	19,021,896
	$ 21,128,150	$ 21,076,110

Approved on behalf of the Board

Westdal
Director

Director

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT 2

STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31

	2002	2001
REVENUE		
Loan interest		
Team	$ 2,437	$ 205
Business Program	1,015,347	1,089,342
Fisheries Program	869,357	959,528
Investment income	74,534	44,208
	1,961,675	2,093,283
COST OF FUNDS		
Interest paid to the Province of Manitoba		
Business Program	845,706	898,656
Fisheries Program	653,878	662,129
	1,499,584	1,560,785
GROSS MARGIN	462,091	532,498
OPERATING EXPENSES (Schedule 1)	1,593,806	1,563,351
	(1,131,715)	(1,030,853)
OTHER INCOME - ADMINISTRATION FEES	87,650	30,071
EXCESS OF EXPENDITURES OVER REVENUE BEFORE PROVISION FOR DOUBTFUL ACCOUNTS	(1,044,065)	(1,000,782)
Provision for doubtful accounts - regular operations	443,080	499,418
EXCESS OF EXPENDITURES OVER REVENUE BEFORE SUBSIDY FROM PROVINCE OF MANITOBA	(1,487,145)	(1,500,200)
SUBSIDY DUE FROM PROVINCE OF MANITOBA	1,487,145	1,500,200
	$ 0	$ 0

COMMUNITIES ECONOMIC DEVELOPMENT FUND

STATEMENT 3

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2002	2001
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Cash received from Province of Manitoba and other sources	$ 1,384,594	$ 2,988,354
Expenditures to suppliers and employees	(1,147,253)	(1,513,081)
Interest paid	(1,381,512)	(1,560,786)
	(1,144,171)	(85,513)
INVESTING ACTIVITIES		
Purchase of capital assets	(21,898)	(26,788)
Loans issued net of principal payments	401,418	(28,879)
Purchase of equipment - net	(80,567)	87,655
	298,953	31,988
FINANCING ACTIVITIES		
Subsidy - Province of Manitoba *(Note 3)*	1,487,145	1,500,200
Advances by the Province of Manitoba	(483,354)	(1,535,047)
	1,003,791	(34,847)
NET INCREASE (DECREASE) IN CASH AND TRUST DEPOSITS	158,573	(88,372)
CASH AND TRUST DEPOSITS, *beginning of year*	332,526	420,898
CASH AND TRUST DEPOSITS, *end of year*	$ 491,099	$ 332,526

CASH AND TRUST DEPOSITS REPRESENTED BY

	2002	2001
Cash	$ 193,571	$ 325,281
Trust deposits	297,528	7,245
	$ 491,099	$ 332,526

1. NATURE OF THE ORGANIZATION

The Communities Economic Development Fund (the Fund) was established in 1971 (Ch. C155) as a Crown corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July, 1991 the object of the Fund was set to encourage economic development in Northern Manitoba, to act as a lending authority in the fishing industry in the Province of Manitoba and to provide financial assistance to aboriginal people in the Province outside the City of Winnipeg. The Business and Fisheries Loan Programs are administered under the C.E.D.F. Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Business Loan Program

The allowance for doubtful accounts on loans and interest receivable is calculated on a specific item basis in addition to a 5% non-specific provision on the remaining loans not specifically provided for.

Fisheries Loan Program

The allowance for doubtful accounts on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value (NPV) formula used for calculating the allowance for doubtful accounts is recognized by the Canadian Institute of Chartered Accountants; however, it does not account for closure of a fishery or regulated reduction of production. In the event of closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful accounts.

PENSION EXPENSE AND OBLIGATIONS

The employees of the Fund are not members of the Civil Service of the Province but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. Payments to the pensioners are charged against the liability account. The current pension expense is determined on the basis of an actuarial valuation. The most recent actuarial valuation as at December 31, 1998 indicated the accrued liability is in line with the obligation forecast in the report. In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year the Fund has recorded a provision to fund current service obligations. The total liability as at March 31, 2002 amounts to $1,336,441 (2001 - $1,229,317).

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization of capital assets has been calculated on a straight line basis using the following rates:

Building	10%
Office furniture and equipment	10 - 20%
Computer equipment	25 - 50%

3. DUE FROM PROVINCE OF MANITOBA

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of $2,178,589 (2001 - $2,031,271) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2002	2001
Department of Northern Affairs		
Subsidy (refundable)	$ 449,086	$ 361,264
- Orders in Council pending	327,661	375,290
Pension (unfunded)	1,325,828	1,229,317
Pension (funded)	10,613	
Severance accrual (unfunded)	65,400	65,400
	$ 2,178,588	$ 2,031,271

4. LOANS RECEIVABLE

	2002	2001
Business Loan Program		
Principal	$11,211,498	$11,972,551
Accrued interest	529,698	477,173
	11,741,196	12,449,724
Allowance for doubtful accounts *(Note 5)*	(2,147,048)	(1,993,420)
	9,594,148	10,456,304
Fisheries Loan Program		
Principal	10,798,131	10,465,796
Accrued interest	576,623	671,418
	11,374,754	11,137,214
Allowance for doubtful accounts *(Note 5)*	(2,787,136)	(3,256,358)
	8,587,618	7,880,856
Team Loan Program		
Principal	41,082	13,782
Accrued interest	1,622	187
	42,704	13,969
	$18,224,470	$18,351,129

5. ALLOWANCE FOR DOUBTFUL ACCOUNTS

The change in the allowance is accounted for as follows:

Business Loan Program	2002 Specific	2002 Non-Specific	2002 Total	2001 Total
Balance, *beginning of year*	$ 1,528,964	$ 464,456	$ 1,993,420	$ 1,631,359
Provision for the year	365,000	442,199	807,199	399,418
	1,893,964	906,655	2,800,619	2,030,777
Accounts written off	(653,571)	...	(653,571)	(37,357)
Balance, *end of year*	$ 1,240,393	$ 906,655	$ 2,147,048	$ 1,993,420

Fisheries Loan Program	2002	2001
Balance, *beginning of year*	$ 3,256,358	$ 3,390,321
Provision *(recovery)* for the year	(365,000)	100,000
	2,891,358	3,490,321
Accounts written off	(104,222)	(233,963)
Balance, *end of year*	$ 2,787,136	$ 3,256,358

6. LOAN COMMITMENTS AND CONTINGENT LIABILITIES

	2002	2001
Loan guarantees	$ 50,000	$ 50,000
Undisbursed balance of approved loans	1,148,263	1,687,401
	$ 1,198,263	$ 1,737,401

7. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2002	Net Book Value 2001
Office furniture and equipment	$ 214,271	$ 172,361	$ 41,910	$ 37,707

8. ADVANCES BY THE PROVINCE OF MANITOBA

	2002	2001
Business Loan Program *(Note 9)*	$10,690,017	$11,274,451
Fisheries Loan Program *(Note 10)*	7,836,988	7,747,445
	$18,527,005	$19,021,896

9. BUSINESS LOAN PROGRAM

The Communities Economic Development Fund is included under The Provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to "The Loan Act, 2000". The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council. Prior to the 1992/93 fiscal year, advances by the Province were interest free.

Advances from the Business Loan Program at March 31, 2002 are accounted for as follows:

Advances, *beginning of year*	$13,267,871
2001/02 loan advances	5,698,599
2001/02 loan advance repayments	(5,012,781)
Transfer loan balances to fish	(893,192)
	13,060,497
Unfunded allowance, *beginning of year*	1,993,420
2001/02 provision for doubtful accounts	807,199
Write offs (Order in Council pending)	(430,139)
	2,370,480
Net Balance, *end of year (Note 8)*	$10,690,017

The fund has specific loan exposure in the forestry sector in Northern Manitoba. Loans totalling $4,789,780 were outstanding to timber harvesting and related operations as at March 31, 2002. Non-specific allowances have been claimed against the portfolio totalling 5% of the outstanding loan balances at March 31, 2002. In addition, specific allowances have been claimed where management believes the loan has been impaired or where there is a difference between the carrying value of the loan and the estimated realizeable value of the assets pledged as security. The total allowance claimed against the forestry loan portfolio as at March 31, 2002 amounted to $1,513,296.

The Fund's exposure in the forestry sector may be impacted by the outcome of the current Canadian softwood lumber dispute with the United States. The specific impact of market disruption due to countervailing tariff or other trade action, though likely negative, is unknown at this time. As such, no provision for additional loan losses for forestry sector loans have been provided for in these financial statements.

10. FISHERIES LOAN PROGRAM

The Communities Economic Development Fund is appointed as the Lending Agency for the Fisheries Loan Program (under Part III of the Fisheries Act). The portfolio had previously been administered by Manitoba Agricultural Credit Corporation (M.A.C.C.) and funded by the Department of Natural Resources. Effective April 1, 1992 this portfolio was transferred to the Fund in its entirety.

Advances to the Fisheries Loan Program at March 31, 2002 are accounted for as follows:

Advances, *beginning of year*	$11,003,803
2001/02 loan advances	2,967,266
2001/02 loan advance repayments	(4,135,915)
Transfer loan balances from business loans	893,192
	10,728,346
Unfunded allowance, *beginning of year*	3,256,358
2001/02 recovery of doubtful accounts	(365,000)
	2,891,358
Net Balance, *end of year (Note 8)*	$ 7,836,988

Interest costs are charged on total advances of $11,003,803 which is the total portfolio including the allowance for loss portion of $2,787,136.

Life insurance on clients - The Fisheries Loan Program carries Life and Accidental Dismemberment on clients' loans. The cost of this insurance is recovered in the margin charged on interest rates.

The Fund utilizes a net present value formula to value its Fish Loan Portfolio and estimate the provision for loan losses. The formula takes into account the payments received in the previous 12 month period as a basis for calculating future collections. The 2001 and 2002 fishing seasons were dramatically improved over previous seasons. As a result, fewer fish loans indicate arrears potential and the formula utilized to value the fish loan portfolio generates a lower estimate for loan loss provision.

The provision for fish loan losses in the Funds books of account exceeds the value derived by the net present value formula as at March 31, 2002 by $764,859 (March 31, 2001 - $909,047).

	2002	2001
Loan Loss Provision		
• per accounts	$ 2,787,136	$ 3,256,358
• per net present value calculation	2,022,277	2,347,311
Difference	$ 764,859	$ 909,047

The commercial fishing industry is cyclical in nature and as a result, no adjustment has been made to the loan loss provision as at March 31, 2002

11. LOAN ACT AUTHORITY

Amounts authorized for advances under "The Loan Act, 2001" are as follows:

Per Schedule A of "The Loan Act, 2001"	$ 5,100,000
Per Schedule B of "The Loan Act, 2001"	
- Direct Loans	12,812,611
	17,912,611
Advances made during the 2001/02 fiscal year	7,288,466
Unused Loan Act capital available	$10,624,145

Guarantees of $970,000 were also authorized under "The Loan Act, 2001". Loan guarantees totalling $50,000 have been issued by the Communities Economic Development Fund as at March 31, 2002.

12. COMMITMENTS

The Fund has leases for office premises as follows:

Swan River	$675 per month
Thompson	$7,235 per month

The leases expire July 31, 2002 and July 31, 2005 respectively.

13. ADVANCES

The advances bear interest at the Royal Bank of Canada prime interest rate, plus 1%, payable monthly and are secured by a general security agreement.

14. ECONOMIC DEPENDENCE

The ongoing operation of the Communities Economic Development Fund depends on obtaining adequate financing and funding. The Communities Economic Development Fund is dependent upon the Province of Manitoba for funding of operations.

COMMUNITIES ECONOMIC DEVELOPMENT FUND

SCHEDULE 1

SCHEDULE OF OPERATING EXPENSES

YEAR ENDED MARCH 31

	2002	2001
Amortization of capital assets	$ 17,695	$ 12,275
Collection costs	81,920	37,630
Communications	54,898	51,303
Credit reports	1,579	2,190
Directors' fees and expenses	64,679	66,756
Government vehicles	35,804	34,860
Insurance	736	911
Legal costs	15,739	18,499
Life insurance *(Note 10)*	64,897	63,157
Office supplies and expenses	17,705	18,548
Pension expense	144,658	132,147
Professional fees	21,203	23,630
Rent and utilities	77,203	76,373
Salaries and benefits	816,183	873,325
Sundry	23,235	29,423
Team expenses	102,817	65,061
Travel	52,855	57,263
	$ 1,593,806	$ 1,563,351

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT
on the Schedule of Loan Guarantee Transactions

To the Legislative Assembly of Manitoba
To the Members of The Co-operative Loans and Loans Guarantee Board

We have audited the schedule of loan guarantee transactions of The Co-operative Loans and Loans Guarantee Board for the year ended March 31, 2002. This financial information is the responsibility of the Board's management. Our responsibility is to express an opinion on this financial information based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, this schedule presents fairly, in all material respects, the transactions of the Board for the year ended March 31, 2002 in accordance with the accounting policies stated in note 2 to the schedule.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 14, 2002

The Co-operative Loans and Loans Guarantee Board

Schedule of Loan Guarantee Transactions
for the year ended March 31, 2002

	Amounts Outstanding at March 31, 2001 $	Additions $	Cancellations $	Amounts Outstanding at March 31, 2002 $
Loan Guarantees: (Note 3)				
Gladstone, Austin Natural Gas Co-op Ltd.	600,000	—	—	600,000
Neechi Foods Co-op Ltd.	3,500	—	3,500	—
Ostrich Products & Marketing Co-op Ltd.	30,000	—	30,000	—
United Messenger Co-op Ltd.	40,000	—	20,000	20,000
S M W Workers Co-op Ltd.	108,000	—	12,000	96,000
Physique Plus Fitness Co-op Inc.	8,000	—	2,000	6,000
	789,500	—	67,500	722,000

Approved by the Board:

Chairperson

Secretary

The Co-operative Loans and Loans Guarantee Board

Notes to the Schedule
for the year ended March 31, 2002

1. Nature of Operations

The Co-operative Associations Loans and Loans Guarantee Act established the Board with the primary objective of ensuring that cooperative organizations have access to basic financial services. The Board is empowered to make loans or guarantee loans to cooperative organizations in Manitoba. The Cooperative Development Section of the Department of Industry, Trade and Mines administers the activities of the Board. The Department pays all administrative and general operating costs of the Board. The Board may charge a fee for its loans and loan guarantees. The Department records all revenue received.

2. Accounting Policies

a) Loan guarantees are stated at the amount guaranteed.

b) The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities at no charge to the Board. The cost of these services cannot be reasonably estimated and is therefore not included in the financial statements.

3. Loan Guarantees

a) Neechi Foods Co-op Ltd
The Board guaranteed an operating loan up to but not exceeding $35,000 to Neechi Foods Co-op Ltd. The agreement requires that the guarantee reduce annually by $7,000 with the first reduction to take effect on December 31, 1992, and annually thereafter until the expiry of the guarantee on December31, 1996. The Board declared a moratorium on the loan guarantee reduction for December31, 1994. As of December 31, 1995 the loan guarantee was reduced by $7,000 to $14,000. The reduction in the loan guarantee negatively impacted the business operation. The Co-op management revised its business plan and on March 19, 1996 the Board approved a re-instatement to the loan guarantee of $7,000, effective April 1, 1996, bringing the loan guarantee to $21,000. Under the revised repayment schedule, the guarantee shall reduce annually by $3,500 with the first reduction to take effect on March 31, 1997, and annually thereafter until the guarantee has been reduced to zero.

Assiniboine Credit Union and Neechi Foods Co-op Ltd accepted the changes to the loan guarantee on May 16, 1996.

The guarantee expired on March 31, 2002.

3. Loan Guarantees (Continued)

b) Gladstone, Austin Natural Gas Co-op Ltd.

On April 10, 1995, the Board approved a ten-year loan guarantee for Gladstone, Austin Natural Gas Co-op Ltd. to a maximum of $500,000 and a line of credit guarantee of $50,000. Beginning in year six, the loan guarantee will be reduced by $100,000 per year until year ten when the guarantee terminates. The line of credit guarantee will terminate in two years, if the Co-op is in a positive cash position. If the Co-op is not in a positive cash position, the guarantee will remain in effect for an additional two years. The guarantee will not be in effect for more than four years. The loan guarantees were accepted by the Austin Credit Union Ltd and the Gladstone, Austin Natural Gas Co-op Ltd. on May 16, 1996.

On March 15, 1999, the Board approved an amendment to the line of credit guarantee from $50,000 to $100,000 effective March 31, 1999 until December 31, 2004. The amendment is conditional on the Austin Credit Union maintaining theauthorized line of credit at a minimum of $300,000 during the period the loan guarantee is in place.

On September 27, 2000, the Board approved deferring the $100,000 reduction in the loan guarantee until May 16, 2002. On that date the loan guarantee reduced by $100,000.

c) Ostrich Products & Marketing Co-op Ltd.

On February 13, 1998, the Board approved an offer of a five-year loan guarantee for Ostrich Products & Marketing Co-op Ltd. of $75,000. The $75,000 loan guarantee will be reduced by $15,000 per year, beginning March 1, 1999.

The Canadian Imperial Bank of Commerce (CIBC) and Ostrich Products & Marketing Co-op Ltd. accepted the loan guarantee, on April 9, 1998.

On the July 3, 2001, the CIBC notified the Board that Ostrich Products & Marketing Co-op Ltd. had defaulted on the loan and had discontinued operations. The Department of Industry, Trade and Mines paid CIBC $29,086.59, which represented the residual value of the loan, as per the loan guarantee agreement. The loan guarantee was subsequently cancelled.

3. Loan Guarantees (Continued)

d) United Messenger Co-op Ltd.

On March 25, 1997, the Board approved an offer of a five-year loan guarantee for United Messenger Co-op Ltd. of $100,000 and a one-year line of credit guarantee of $50,000. The $100,000 loan guarantee will be reduced by $20,000 per year, beginning May 12, 1998. The Assiniboine Credit Union and the United Messenger Co-op Ltd. accepted the loan guarantees, on May 7, 1997.

On January 14, 1998, the Board reinstated and increased the one-year line of credit guarantee from $50,000 to $70,000 as of May 7, 1998. The $20,000 increase is offset by the $20,000 reduction from the five-year term loan guarantee.

On March 15, 1999, The Board reinstated the one-year line of credit guarantee at $70,000 as of May 7, 1999. The one-year line of credit subsequently expired on May 7, 2000.

As of March 31, 2002, a loan guarantee of $20,000 was in effect. The guarantee expired on May 7, 2002 ending the guarantee.

e) S M W Workers Co-op Ltd.

On March 15, 1999, the Board approved an offer of a ten-year loan guarantee for SM W Workers Co-op Ltd. of $120,000. The loan guarantee shall reduce by $12,000 per year, beginning on July 31, 2000. The Assiniboine Credit Union Limited and the S M W Workers Co-op Ltd. accepted the loan guarantee in July 1999.

f) Physique Plus Fitness Co-op Inc.

On July 25, 2000, the Board approved a loan guarantee for Physique Plus Fitness Co-op Inc. in the amount of $8,000. The Caisse Populaire Provencher Ltee accepted the loan guarantee and signed an agreement with Physical Plus Fitness Co-op Inc. on February 19, 2001. The guarantee shall reduce by $2,000 on each anniversary of the advance date, March 12, 2001.

g) Steinbach Fitness Co-op Inc.

On March 20, 2002, the Board approved a loan guarantee in the amount of $10,500. The loan guarantee will be in effect for a period of five years, representing the term of the loan. The loan guarantee shall reduce by $2,100 per year over the five-year period. The loan guarantee has not been issued as of June 14, 2002.

The Co-operative Loans and Loans Guarantee Board

Notes to the Schedule
for the year ended March 31, 2002

4. Loan Act Authority

The Government of the Province of Manitoba has authorized the following amounts to be expended for funding loans and loan guarantees:

Authority	Outstanding Expenditure Authority
The Loan Act, 2000	
Guarantees	$3,500,000
Less: Amounts committed by the Board	722,000
	$2,778,000

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Members of The Cooperative Promotion Board

We have audited the balance sheet of The Cooperative Promotion Board as at March 31, 2002, the General Account statement of revenue and expenditure and retained earnings and the Commercial Fishing Account statement of revenue, expenditure and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with accounting policies stated in note 2 to the financial statements.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 14, 2002

The Cooperative Promotion Board

Balance Sheet
as at March 31, 2002

	2002	2001
ASSETS		
General Account		
Current Assets		
Cash	$ 21,311	$ 31,205
Term Deposits (Note 3)	255,867	245,567
Accrued Interest Receivable	9,910	12,362
Total Current Assets	287,088	289,134
Investments (Note 5)	102,437	101,974
Total General Account	389,525	391,108
Commercial Fishing Account (Note 9)		
Current Assets		
Cash (Note 4)	59,726	56,599
Accrued Interest Receivable	680	1,231
Total Current Assets	60,406	57,830
Investments (Note 6)	140	140
Total Commercial Fishing Account	60,546	57,970
Total Assets	$ 450,071	$ 449,078
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable – General Account	$ 1,740	$ 1,816
Equity		
Contributed Capital - General Account (Note 1)	$ 128,800	$ 128,800
Retained Earnings – General Account	258,985	260,492
Retained Earnings - Commercial Fishing Account (Note 7)	60,546	57,970
	448,331	447,262
Total Liabilities and Equity	$ 450,071	$ 449,078

APPROVED BY THE BOARD:

Chairperson

Secretary

The Cooperative Promotion Board

General Account
Statement of Revenue and Expenditure and Retained Earnings
for the year ended March 31, 2002

	2002	2001
Revenue		
Interest	$ 15,312	$ 18,542
Dividend	743	607
Total Revenue	16,055	19,149
Expenditure		
Grants, (Schedule 1)	13,260	11,300
General and administrative		
Annual report	325	247
Audit fee	1,100	1,170
Board members' remuneration	880	280
Board members' meals and travel	740	436
Membership Fee	633	615
Office	624	588
	4,302	3,336
Total Expenditure	17,562	14,636
Excess of Revenue over (under) Expenditure	(1,507)	4,513
Retained Earnings, beginning of year	260,492	255,979
Retained Earnings, end of year	$ 258,985	$ 260,492

The Cooperative Promotion Board

Commercial Fishing Account
Statement of Revenue and Expenditure and Retained Earnings
for the year ended March 31, 2002

	2002	2001
Revenue		
Interest	$ 2,576	$ 2,018
Dividend	—	100
Total Revenue	2,576	2,118
Expenditure		
Bank Charges	—	1
Total Expenditure	—	1
Excess of Revenue over Expenditure	2,576	2,117
Retained Earnings, beginning of year	57,970	55,853
Retained Earnings, end of year	$ 60,546	$ 57,970

The Cooperative Promotion Board

Notes to the Financial Statements
for the year ended March 31, 2002

1. Nature and Objectives of the Board

The Cooperative Promotion Board operates under the terms of The Cooperative Promotion Trust Act, which came into force on December 20, 1988. The Board is a continuation of the Board established under The Wheat Board Money Trust Act. The Wheat Board Money Trust Act was repealed when The Cooperative Promotion Trust Act came into force.

General Account

The General Account funds controlled by the Board consist of surplus funds of the original Canadian Wheat Board apportioned to Manitoba by the Government of Canada (recorded as Contributed Capital), assets vested in the Board when the Cooperative Promotion Trust Act came into force and assets acquired by the Board.

The objectives of the Board with regard to the General Account are to assist in the development of cooperative organizations, to promote the general welfare of cooperative organizations and rural residents in Manitoba and to make recommendations to the Minister responsible with respect to cooperative organizations and related legislation.

Commercial Fishing Account

The Commercial Fishing Account consists of funds donated by Northern Cooperative Services Ltd. As a condition of the donation, these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. As of March 31, 2002, no activity has taken place.

2. Accounting Policies

a) These financial statements are prepared in accordance with the accrual basis of accounting except for grants which are recorded as expenditure when paid.
b) Discounts on investments are amortized on a straight-line basis over the life of the investments.
c) The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities at no charge to the Board. The cost of these services cannot be reasonably estimated and is therefore not included in the financial statements.

3. Term Deposits, General Account

	2002	2001
Me-Dian Credit Union Of Manitoba Limited		
3.70% due on May 29, 2002	$131,563	—
5.40% due on May 29, 2001	—	124,822
La Caisse Populaire de Saint Boniface Limitee		
1.40% due on February 20, 2003	58,853	—
1.35% due on December 23, 2002	33,451	—
4.40% due on June 21, 2001	—	55,294
4.80% due on December 23, 2001	—	33,451
Province of Manitoba		
2.20% due on June 25, 2002	32,000	—
4.40% due on June 26, 2001	—	32,000
	$ 255,867	$ 245,567

4. Cash, Commercial Fishing Account

	2002	2001
Buffalo Credit Union		
High yield savings account, interest bearing at a fixed rate of 2.75% (2001, 5.70%) until October 31, 2002 (2001, October 31, 2001) with interest paid annually.	$ 59,726	—
	—	56,599
	$ 59,726	$ 56,599

5. Investments, General Account

	2002	2001
Me-Dian Credit Union of Manitoba Ltd. - Share at Cost	$ 5	$ 5
Me-Dian Credit Union of Manitoba Ltd. - Surplus Shares	743	506
La Caisse Populaire de Saint-Boniface Limitee - Surplus Shares	361	219
Cambrian Credit Union - Surplus Shares	328	244
Cambrian Credit Union - GIC 6.0% due on April 27, 2003	101,000	101,000
	$ 102,437	$ 101,974

6. Investments, Commercial Fishing Account

	2002	2001
Buffalo Credit Union - Share at Cost	$ 140	$ 140

7. Retained Earnings, Commercial Fishing Account

During 1993 and 1994, Northern Cooperative Services Ltd. donated $41,724 to the Board subject to the condition that these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. These funds have earned interest and the balance available at March 31, 2002 is $ 60,546 (2001 - $57,970).

8. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements, as no additional information would be provided by its inclusion.

9. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.

The Cooperative Promotion Board **SCHEDULE 1**

Schedule Of Grants
for the year ended March 31, 2002

	2002	2001
Assiniboia Group of Artists Cooperative Inc.	$ —	$ 1,500
Bayan Printing Worker Cooperative Ltd	—	1,000
Birdtail Fitness Club Co-op Inc.	510	—
Canadian Organic Commodity Marketing Co-op Ltd.	1,000	—
Co-operative Housing Federation of Canada (Manitoba Office)	500	—
Crafter's Co-op of Manitoba Ltd.	4,000	—
Green Tree Cattle Feeders Co-op Inc.	2,000	—
Manitoba Cooperative Council Inc.	4,750	4,750
PeaCan Meal Producers Cooperative Ltd.	—	2,050
Physique Plus Fitness Co-op Inc.	—	1,000
Park City Meadows Housing Co-op Ltd.	500	—
Steinbach Fitness Co-op Inc.	—	1,000
	$ 13,260	$ 11,300

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To The Council on Post-Secondary Education

We have audited the balance sheet of The Council on Post-Secondary Education as at March 31, 2002 and the statements of revenues and expenditures for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Council on Post-Secondary Education as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

Office of the Auditor General
Office of the Auditor General

Winnipeg, Manitoba
July 15, 2002

THE COUNCIL ON POST-SECONDARY EDUCATION

Balance Sheet
As at March 31, 2002
(with March 31, 2001 figures for comparison)

	2002	2001
ASSETS		
Current assets:		
Cash on hand and in bank	$ 399,953	$ 741,177
Accounts receivable	19,879	45,210
	419,832	786,387
Long-term funding commitments - Province of Manitoba (note 3)	942,644	853,669
	$ 1,362,476	$ 1,640,056
LIABILITIES		
Current liabilities:		
Accounts payable & accrued liabilities	$ 89,181	$ 124,731
Grants payable	2,973	339,391
	92,154	464,122
Long-term liabilities:		
Provision for employee severance benefits	101,847	133,937
Provision for employer's share of employees' pension benefits (note 4)	838,503	749,528
	940,350	883,465
Total liabilities	1,032,504	1,347,587
Post-Secondary Grants Fund:		
Balance, beginning of year	292,469	299,181
Revenue over expenditures	173,518	557
Revenue (under) expenditures – CEI	(136,015)	(7,269)
Balance, end of year	329,972	292,469
	$ 1,362,476	$ 1,640,056

THE COUNCIL ON POST-SECONDARY EDUCATION

Statement of Revenues and Expenditures
For the year ended March 31, 2002
(with March 31, 2001 figures for comparison)

	2002	2001
Revenues:		
Province of Manitoba grants:		
Department of Advanced Education	$ 349,053,064	$ 354,666,302
Interest Income	21,605	36,950
Total revenues	349,074,669	354,703,252
Expenditures:		
Operating grants	311,056,800	293,812,300
Support programs	2,083,153	2,112,945
Post-Secondary Strategic Initiatives grants	1,606,600	1,090,200
Equipment & Renovations grants	6,045,600	7,745,600
Major Capital grants	9,625,000	34,940,000
Access grants	5,290,500	5,093,500
Tuition Rebate grants	11,028,315	8,900,000
Inter-Provincial Training Agreement	1,228,965	-
Prior Learning Assessment Centre	-	75,000
Administrative and other, Schedule 1	936,218	933,150
Total expenditures	348,901,151	354,702,695
Revenues over expenditures	$ 173,518	$ 557

THE COUNCIL ON POST-SECONDARY EDUCATION

College Expansion Initiative (CEI)
Statement of Revenues and Expenditures (Note 1)
for the year ended March 31, 2002
(with March 31, 2001 figures for comparison)

	2002	2001
Revenues:		
Province of Manitoba grants:		
Department of Advanced Education	$ 10,413,156	$ 5,100,406
Other revenue	-	20,175
Total revenues	10,413,156	5,120,581
Expenditures:		
College Expansion Initiative grants	10,348,000	4,856,000
Administrative and other, Schedule 2	201,171	271,850
Total expenditures	10,549,171	5,127,850
Revenues (under) expenditures	$ (136,015)	$ (7,269)

Schedule 1

THE COUNCIL ON POST-SECONDARY EDUCATION

Schedule of Administrative and Other Expenditures for the year ended March 31, 2002 (with March 31, 2001 figures for comparison)

	2002	2001
Automobile and travelling	$ 34,084	$ 41,917
Computer operating and lease costs	57,546	44,909
Course and membership fees	3,890	4,197
Furniture and equipment	4,454	15,091
Meetings – Council	8,000	7,359
Miscellaneous Grants	34,320	102,500
Office rental	35,626	34,603
Postage and telephone	12,586	13,377
Printing and stationery supplies	18,847	8,261
Professional fees	22,884	13,116
Remuneration of Council members	21,604	18,300
Repairs & maintenance	510	204
Salaries and employee benefits	670,627	601,295
Subscriptions and books	3,765	5,959
Sundry	7,475	12,062
University Infrastructure Analysis	-	10,000
Total administrative & other expenditures	$ 936,218	$ 933,150

Schedule 2

THE COUNCIL ON POST-SECONDARY EDUCATION

College Expansion Initiative (CEI)
Schedule of Administrative and Other Expenditures (Note 1)
for the year ended March 31, 2002
(with March 31, 2001 figures for comparison)

	2002	2001
Automobile and travelling	$ 4,600	$ 3,106
Computer operating and lease costs	11,435	6,720
Consultation - Winnipeg	1,276	38,926
Course and membership fees	1,977	25
Furniture and equipment	2,953	4,898
Office rental	11,200	11,330
Postage and telephone	2,910	3,145
Printing and stationery supplies	1,944	2,108
Salaries and employee benefits	154,694	188,155
Summit – North	3,752	-
Sundry	4,430	13,437
Total administrative and other expenditures	$ 201,171	$ 271,850

Notes to Financial Statements
for the year ended March 31, 2002

1. Nature of Operations

The Council on Post-Secondary Education was established by an Act of the Legislature passed in 1997 and is composed of 11 members appointed by the Lieutenant-Governor-in-Council.

The Universities Grants Commission Act was repealed effective April 28, 1997 by the Council on Post-Secondary Education Act.

The Council on Post-Secondary Education Act provided that the University Grants Fund be continued as the Post-Secondary Grants Fund. All assets and liabilities of the Universities Grants Commission were transferred to the Council on Post-Secondary Education.

Primarily, the Council on Post-Secondary Education provides funding to Manitoba's universities and community colleges for approved programs and capital projects from funds received from the Province of Manitoba.

The College Expansion Initiative provides funding to increase enrollment in diploma and certificate programs at Manitoba's community colleges. For financial reporting purposes, a separate Statement of Operating Revenue and Expenditures for the Initiative has been prepared.

In 2001/02, responsibility for administering the Inter-Provincial Training Agreements was transferred to the Council on Post-Secondary Education. Prior year funding is not reflected in the Financial Statements.

2. Significant Accounting Policies

A. Basis of Accounting

The Council on Post-Secondary Education's annual financial statements are prepared in accordance with Canadian generally accepted accounting principles except for furniture, fixtures and equipment purchases which are charged to expenditures in the year of acquisition.

B. Grant Expenditures

Operating, equipment and renovations, tuition rebate, Access, and strategic initiatives grants reflect expenditures to Manitoba universities and community colleges for annual operations. These grants are funded on the basis of scheduled payments to meet the operating requirements of the universities and community colleges. Operating grants are also provided to private religious colleges and to the Winnipeg Technical College.

Major capital grants based on shared cost agreements are funded on a reimbursement basis. The university must first incur eligible costs as defined in the terms of the agreement, which the Council then reimburses.

Major capital grants to universities that are discretionary grants are funded when the university has met the eligibility criteria and fulfilled the conditions set out by the Council.

C. Revenue Recognition

Revenue is recognized as funds are drawn from Province of Manitoba appropriations.

D. Vacation and Severance Benefits

Employees of the Council are entitled to vacation and severance benefits in accordance with the terms of the collective agreement. The liability for vacation and severance benefits is recorded based on the Council's best estimates.

E. Employer's Share of Employees' Pension Benefits

Employees of the Council are pensionable under the Civil Service Superannuation Act. The Council accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial report.

3. Long-term funding commitments – Province of Manitoba

The long-term funding commitments from the Province of Manitoba are for severance entitlements earned by the employees as at March 31, 1998 in the amount of $104,141 and for the employer's share of employees' pension benefits as at March 31, 2002 in the amount of $838,503 (2001, $749,528).

4. Provision for Employer's Share of Employees' Pension Benefits

	2002	2001
Balance at beginning of year	$ 749,528	$ 678,217
Benefits accrued	64,701	50,920
Interest accrued on benefits	58,102	52,306
Benefits paid	(33,828)	(31,915)
Balance at end of year	$ 838,503	$ 749,528

An actuarial valuation of the pension obligations as at December 31, 1998 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7% (1995 – 7.5%), 3% inflation (1995 – 3.75%), salary rate increases of 4.5% (1995 – 5.5%) and post retirement indexing at 2/3 of the inflation rate. The entry age normal actuarial cost method was used and the liabilities have been extrapolated to March 31, 2002 using a formula provided by the actuary.

5. Economic Dependence

The Council is economically dependent on the Province of Manitoba for its funding.

6. Cash Flows Statement

The financial statements of the Council do not include a Statement of Cash Flows. In the opinion of management, a Statement of Cash Flows would not provide significant additional disclosure.

7. Related party transactions

In addition to those related transactions disclosed elsewhere in these financial statements, the Council on Post-Secondary Education is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Council on Post-Secondary Education enters into transactions with these entities in the normal course of business.

8. Commitments

The Council on Post-Secondary Education has approved funding as listed below:

	Approved	Expended	Outstanding Commitments
Operating:			
Collège universitaire de Saint-Boniface			
Canada-Man. Subsidiary Agreement	$ 6,000,000	$ 4,602,400	$ 1,397,600
Capital:			
Collège universitaire de Saint-Boniface			
Student Centre	2,170,000	1,000,000	1,170,000
University of Manitoba			
Capital Campaign	40,000,000	12,000,000	28,000,000
Chiller System – Fort Garry Campus	19,000,000	9,384,560	9,615,440
Chiller System – Bannatyne Campus	955,000	455,303	499,697
Total	$ 68,125,000	$ 27,442,263	$ 40,682,737

Future funding commitments were also approved for the following new programs:

College Expansion Initiative	$ 1,704,500
System Restructuring Envelope	581,300
Strategic Program Envelope	664,900
Computer Science – University of Manitoba	646,000
Total	$ 3,596,700

9. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

AUDITORS' REPORT

To the Members of
Crown Corporations Council

We have audited the balance sheet of **Crown Corporations Council** as at December 31, 2001 and the statement of income and reserve reflecting net investment in capital assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
February 14, 2002

Chartered Accountants

CROWN CORPORATIONS COUNCIL

BALANCE SHEET

	December 31	
	2001	2000
ASSETS	(thousands of dollars)	
Current:		
Cash	$ 369	$ 497
Accounts receivable	7	5
	376	502
Capital assets (note 4)	9	19
	$ 385	$ 521
LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS		
Current:		
Accounts payable and accrued liabilities	$ 93	$ 45
Levies received in advance	103	177
Due to Manitoba Crown corporations (note 3)	147	273
	343	495
Retirement allowances and other benefits payable	33	7
	376	502
Reserve reflecting net investment in capital assets	9	19
	$ 385	$ 521

Approved by the Board

Chairman Director

(see accompanying notes)

CROWN CORPORATIONS COUNCIL

STATEMENT OF INCOME AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS

	Year Ended December 31	
	2001	**2000**
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	$ 828	$ 591
Recoveries from corporations through direct charges	12	-
Interest	16	16
	856	607
Expenses		
Salaries and benefits	450	409
Professional fees	210	9
Board remuneration and expenses	77	67
Rent	62	62
Depreciation	17	18
Office supplies and printing	15	17
Governance training costs	12	-
Automobile expense	7	7
Equipment rental and maintenance	7	6
Telephone and courier	6	6
Travel	2	6
Insurance and miscellaneous	1	1
Corporate governance conference	0	9
Moving expenses	0	4
Professional development	0	2
	866	623
Excess of expenses over income	$ (10)	$ (16)
Reserve reflecting net investment in capital assets, beginning of year	19	35
Reserve reflecting net investment in capital assets, end of year	$ 9	$ 19

(see accompanying notes)

1. Nature of organization

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under the Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview.

2. Significant accounting policies

a) Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

b) Reserve reflecting the net investment in capital assets

The purchase of capital assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's capital assets.

c) Capital Assets

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

d) Retirement allowances

Retirement allowances are provided to certain qualifying employees. The costs of benefits earned by employees are charged to expenses as services are rendered. The cost reflects management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, the actuarial present value of the accrued entitlement as at January 1, 2000 is being amortized to income on a straight line basis over the expected average remaining service life of the employee group.

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3. Due to Manitoba Crown corporations

These amounts represent a retroactive adjustment to levies based on Council's actual expenses.

4. Capital assets

These are comprised entirely of office furniture and equipment and computer equipment.

	December 31 2001	 2000
	(in thousands of dollars)	
Cost		
Office furniture and equipment	$58	$52
Computer equipment	56	55
	$114	$107
Accumulated depreciation		
Office furniture and equipment	50	50
Computer equipment	55	38
	105	88
Net book value	$ 9	$ 19

5. Pension costs and obligations

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. In addition, one employee is entitled to enhanced pension benefits. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost reflects management's best estimate of salary increases and the age at which the employee will retire.

6. Lease commitments

The Council is committed under a premises lease expiring on April 30, 2005 to annual basic rental payments of approximately $32,400 and annual common area and operating costs of approximately $26,300.

7. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

KPMG

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Chartered Accountants
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Canada

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Telefax (204) 957-0808
www.kpmg.ca

AUDITORS' REPORT

To the Directors of Deer Lodge Centre Inc.

We have audited the statement of financial position of Deer Lodge Centre Inc. as at March 31, 2002 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada
May 17, 2002

KPMG [illegible] Canadian [illegible]
laws of Ontario, [illegible]

DEER LODGE CENTRE INC.

Statement of Financial Position

March 31, 2002, with comparative figures for 2001

Assets

	2002	2001
Current assets:		
Cash	$ 1,853,957	$ 657,009
Short-term investments	1,144,189	1,859,166
Cash and short-term investments held in trust	210,354	263,665
Accounts receivable	392,435	611,654
Receivable from Winnipeg Regional Health Authority (note 2)	1,330,663	1,293,348
Inventory	330,865	363,154
Prepaid expenses	141,925	454,188
	5,404,388	5,502,184
Deferred benefit costs	3,781,151	3,462,438
Capital assets (note 3)	8,180,547	5,727,516
	$ 17,366,086	$ 14,692,138

Liabilities, Deferred Contributions and Fund Balances

	2002	2001
Current liabilities:		
Accounts payable and accrued liabilities	$ 3,298,200	$ 2,894,713
Payable to Manitoba Health (note 2)	6,429	11,783
Trust liability	210,354	263,665
Current portion of long-term debt (note 4)	455,573	330,042
	3,970,556	3,500,203
Benefit costs payable	3,781,151	3,462,438
Long-term debt (note 4)	2,312,475	1,908,721
	6,093,626	5,371,159
Deferred contributions (note 5):		
Related to capital assets	4,607,422	3,593,701
Related to expenses of future periods	-	193,028
	4,607,422	3,786,729
Fund balances:		
Unrestricted	1,103,442	1,309,936
Invested in capital assets (note 6)	1,392,572	535,116
Internally restricted	198,468	188,995
	2,694,482	2,034,047
Commitment (note 10)		
	$ 17,366,086	$ 14,692,138

See accompanying notes to financial statements.

On behalf of the Board:

Denise Koss Director

Gavin Todd Director

DEER LODGE CENTRE INC.

Statement of Operations

Year ended March 31, 2002, with comparative figures for 2001

	Operating	Invested in capital assets	Internally restricted	2002 Total	2001 Total
Revenue:					
Patient and resident services (note 7):					
Government funding	$ 35,113,506	$ -	$ -	$ 35,113,506	$ 33,878,113
Patient and resident	3,256,282	-	-	3,256,282	3,194,741
	38,369,788	-	-	38,369,788	37,072,854
Other revenue:					
Investment	21,204	-	8,235	29,439	40,804
Donations, grants and fundraising	-	-	26,426	26,426	38,125
Deferred contributions	-	658,941	62,010	720,951	701,620
Program recoveries	260,860	-	-	260,860	235,240
Ancillary	2,028,367	-	-	2,028,367	1,906,761
	2,310,431	658,941	96,671	3,066,043	2,922,550
	40,680,219	658,941	96,671	41,435,831	39,995,404
Expenses:					
Salaries and wages	25,871,018	-	-	25,871,018	25,303,668
Employee benefits	3,521,047	-	-	3,521,047	3,297,310
Health and education levy	523,331	-	-	523,331	546,226
Printing, stationery and office	97,753	-	-	97,753	105,298
Housekeeping, laundry and linen	447,553	-	-	447,553	462,215
Utilities	976,916	-	-	976,916	984,140
Food and dietary supplies	128,493	-	-	128,493	128,968
Medical and surgical	266,228	-	-	266,228	258,533
Drugs, oxygen and pharmacy supplies	644,679	-	-	644,679	721,754
Diagnostic and miscellaneous	128,879	-	-	128,879	113,078
Sundry	835,585	-	16,702	852,287	748,374
Interest on long-term debt	89,130	-	-	89,130	150,275
Equipment	346,921	-	-	346,921	311,513
Referred out services	4,021,030	-	-	4,021,030	3,874,151
Buildings and grounds maintenance	488,522	-	-	488,522	449,983
Amortization	-	658,941	77,279	736,220	733,754
Ancillary	1,710,389	-	-	1,710,389	1,675,186
	40,097,474	658,941	93,981	40,850,396	39,864,426
Excess of revenue over expenses for the year	582,745	-	2,690	585,435	130,978
Funding of prior year deficits	75,000	-	-	75,000	(9,539)
Excess of revenue over expenses	$ 657,745	$ -	$ 2,690	$ 660,435	$ 121,439

See accompanying notes to financial statements.

DEER LODGE CENTRE INC.

Statement of Changes in Fund Balances

Year ended March 31, 2002, with comparative figures for 2001

	Unrestricted	Invested in capital assets	Internally restricted	2002 Total	2001 Total
Balance, beginning of year	$ 1,309,936	$ 535,116	$ 188,995	$ 2,034,047	$ 1,912,608
Excess of revenue over expenses	657,745	-	2,690	660,435	121,439
Transfers - capital asset purchases	(888,523)	897,007	(8,484)	-	-
Transfers - amortization of capital assets	24,284	(39,551)	15,267	-	-
Balance, end of year	$ 1,103,442	$ 1,392,572	$ 198,468	$ 2,694,482	$ 2,034,047

See accompanying notes to financial statements.

DEER LODGE CENTRE INC.

Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	$ 660,435	$ 121,439
Items not involving cash:		
Amortization of capital assets	777,744	773,734
Amortization of deferred contributions related to capital assets	(720,951)	(701,620)
Change in non-cash operating working capital:	-	
Accounts receivable	219,219	(165,981)
Receivable from Winnipeg Regional Health Authority	(37,315)	2,107,389
Inventory	32,289	(49,758)
Prepaid expenses	312,263	(72,246)
Accounts payable and accrued liabilities	403,487	188,126
Payable to Manitoba Health	(5,354)	(383,407)
Related to expenses of future periods	-	63,721
	1,641,817	1,881,397
Financing activities:		
Repayment of long-term debt	(330,042)	(327,825)
Proceeds of long-term debt	859,327	-
	529,285	(327,825)
Investing activities:		
Increase in deferred contributions related to capital assets	1,541,646	600,663
Capital assets acquired	(3,230,777)	(374,089)
	(1,689,131)	226,574
Increase in cash position	481,971	1,780,146
Cash position, beginning of year	2,516,175	736,029
Cash position, end of year	$ 2,998,146	$ 2,516,175
Cash position consists of the following:		
Cash	$ 1,853,957	$ 657,009
Short-term investments	1,144,189	1,859,166
	$ 2,998,146	$ 2,516,175
Supplementary cash flow information:		
Interest received	$ 123,184	$ 177,421
Interest paid	95,550	149,215

See accompanying notes to financial statements.

DEER LODGE CENTRE INC.

Notes to Financial Statements

Year ended March 31, 2002

Status and nature of the corporation:

Deer Lodge Centre Inc. (the "Centre") provides health care and treatment to residents of Manitoba through the operation of a health centre. It was incorporated under the *Corporations Act (Manitoba)* on March 7, 1983 as a corporation without share capital.

The land, buildings, equipment and certain supplies of the former Deer Lodge Hospital were acquired from the Government of Canada by Manitoba Health, effective April 1, 1983. The Centre acquired the buildings, equipment and supplies from Manitoba Health on March 7, 1985 for the nominal amount of one dollar.

Under the terms of an agreement between the Government of Canada, Veterans Affairs Canada ("VAC") and Manitoba Health, VAC has the right of priority use of 155 beds in the Centre for veterans. VAC's responsibility for the costs pertaining to the 155 beds is declining by 20% annually beginning April 1, 1998 and ending March 31, 2002. Manitoba Health is responsible to provide the Centre with equivalent offsetting revenue in each year.

1. Significant accounting policies:

(a) Revenue recognition:

The Centre follows the deferral method of accounting for contributions, which include donations and government grants.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Investment income is recognized as revenue in the year that it is earned.

(b) Annual operating results:

In accordance with Winnipeg Regional Health Authority and Manitoba Health (the "funding agencies") policies, annual operating results are settled with the funding agencies. Annual operating deficits are subject to audit by the funding agencies which may result in a settlement in future periods. Amounts owing to (recoverable from) the Winnipeg Regional Health Authority/Manitoba Health arising as a result of these audits are recorded in the year of the audit. Surpluses are retainable at 50% of the surplus to a maximum of 1% of the current year operating expenses. The repayable portion of the surplus is charged against income. Payments received from VAC on account of previous years' surpluses or deficits are recorded as adjustments to the amount recoverable/payable from/to the funding agencies.

Final settlements have not been determined for the four years ending March 31, 2002.

1. **Significant accounting policies (continued):**

(c) Short-term investments:

Short-term investments are recorded at cost plus accrued interest, which approximates fair value. If the market value of these investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

(d) Inventory:

Inventory is valued at the lower of average cost and net realizable value.

(e) Deferred benefit costs:

Effective April 1, 2000, the Centre adopted the new CICA recommendations on accounting for employee future benefits. Under the new recommendations, the cost of the Centre's pre-retirement benefits is accrued as earned based on actuarial valuations.

The cost for vacation benefits is accrued when the benefit is earned by employees.

The related expenses for each are deferred and charged against income when received from the Winnipeg Regional Health Authority.

(f) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Centre's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Building	5-10%
Equipment	10-20%

(g) Investment earnings:

Investment earnings are allocated to the specific fund where the principal amounts originated or as specified by the contributor of the invested amounts.

1. Significant accounting policies (continued):

(h) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, these contributed services are not recognized in the financial statements.

(i) Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

2. Receivable from (payable to) health authorities:

	2002	2001
Receivable from Winnipeg Regional Health Authority is comprised of:		
Education subsidies	$ 8,625	$ 8,955
Roam Alert financing	66,801	85,473
Meridian Phone System financing	7,870	53,742
Equipment funding receivable	-	910
Out of Globe and other Winnipeg Regional Health Authority commitments:		
1998/1999	605,837	605,837
1999/2000	311,327	311,327
2000/2001	227,104	227,104
2001/2002	423,133	-
MNU education costs - 2000/2001	4,934	-
Influenza funding	2,004	-
Medical remuneration funding	136,671	-
2001/2002 refundable surplus	(264,766)	-
2001/2002 refund of bed closure surplus	(198,877)	-
	$ 1,330,663	$ 1,293,348
Payable to Manitoba Health is comprised of:		
Separately financed programs	$ (6,429)	$ (11,783)

3. Capital assets:

			2002	2001
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 60,000	$ -	$ 60,000	$ 60,000
Building	7,547,807	1,403,475	6,144,332	3,529,108
Equipment	4,208,648	2,232,433	1,976,215	2,138,408
	$ 11,816,455	$ 3,635,908	$ 8,180,547	$ 5,727,516

4. Long-term debt:

	2002	2001
Roam Alert		
Loan repayable at $1,556 per month plus interest as determined annually by Manitoba Health. Authorized and secured by a letter of comfort from Manitoba Health	$ 66,801	$ 85,473
7th Floor Personal Care Unit		
Banker's acceptances, supported by a specific borrowing resolution incorporating an assignment of monies payable by the Governments of Canada or Manitoba:		
Interest at 5.65%, maturing June 1, 2001	-	2,000,000
Interest at 2.67%, maturing April 16, 2002	1,800,000	-
Bank demand loan, interest at bank prime less 0.5%	34,050	99,549
Repayments of $22,125 per month plus interest are being made on these loans. Authorized and secured by a letter of comfort from Manitoba Health		
Meridian Phone System		
Loan repayable at $3,960 per month including interest as determined annually by Manitoba Health. Authorized and secured by a letter of comfort from Manitoba Health	7,870	53,741
Carried forward	1,908,721	2,238,763

4. Long-term debt (continued):

	2002	2001
Brought forward	$ 1,908,721	$ 2,238,763
Assisted Bathing Rooms		
Bank loan repayable at $4,375 per month plus interest at bank prime less 0.5%. Authorized and confirmed by a letter of comfort from Manitoba Health	304,174	-
Learning Centre		
Bank loan repayable at $9,253 per month plus interest at bank prime less 0.5%. This loan is unsecured	555,153	-
	2,768,048	2,238,763
Current portion of long-term debt	455,573	330,042
	$ 2,312,475	$ 1,908,721

Principal payments scheduled over the next five years, assuming that the loans are refinanced on the same terms and conditions, are as follows:

2003	$ 455,573
2004	447,702
2005	447,702
2006	439,815
2007	429,030
Thereafter	548,226
	$ 2,768,048

5. Deferred contributions:

(a) Capital assets:

Deferred contributions related to capital assets represents the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2002	2001
Balance, beginning of year	$ 3,593,701	$ 3,694,658
Additional contributions received	1,541,644	600,663
Transfer from expenses of future periods	193,028	-
Less amounts amortized to revenue	(720,951)	(701,620)
Balance, end of year	$ 4,607,422	$ 3,593,701

The balance of unamortized capital contributions related to capital assets consists of the following:

	2002	2001
Unamortized capital contributions used to purchase assets	$ 4,126,376	$ 2,959,251
Unspent contributions	481,046	634,450
	$ 4,607,422	$ 3,593,701

(b) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for research and programs.

	2002	2001
Balance, beginning of year	$ 193,028	$ 129,307
Transfer to capital asset deferred contribution	(193,028)	-
Add receipts for Learning Resource Centre	-	63,721
Balance, end of year	$ -	$ 193,028

6. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2002	2001
Capital assets	$ 8,180,547	$ 5,727,516
Amounts financed by deferred contributions	(4,126,376)	(2,959,251)
Amounts financed by long-term debt	(2,768,048)	(2,238,763)
Unspent proceeds on disposal of capital assets	5,614	5,614
Net receivable on construction funding	100,835	-
Net assets invested in capital	$ 1,392,572	$ 535,116

7. Resident and patient services:

Resident and patient services revenue is comprised of:

	2002	2001
Government funding:		
Winnipeg Regional Health Authority:		
Care	$ 33,233,482	$ 30,294,281
Radiology	12,847	15,229
Adult day program	158,303	150,851
Government of Canada:		
Care	1,708,874	3,417,752
	35,113,506	33,878,113
Patient and resident:		
Residential charges	3,246,500	3,184,739
Adult day program fees	9,782	10,002
	3,256,282	3,194,741
	$ 38,369,788	$ 37,072,854

8. Pension plans:

Employees of the Centre participate in either the Government of Canada Superannuation Plan or the Healthcare Employees Pension Plan - Manitoba. The employees and the Centre make contributions at prescribed rates. Any additional employer contributions required to be made to the Government of Canada Superannuation Plan will be the responsibility of the Government of Canada. The Centre's liability under these pension plans is limited to the contributions required during the year under the respective agreements.

During the year, the Centre contributed approximately $1,212,321 to the plans (2001 - $1,178,096).

8. Pension plans (continued):

During the year, the Centre contributed approximately $1,212,321 to the plans (2001 - $1,178,096).

9. Related parties:

(a) Deer Lodge Centre Foundation Inc.:

The Deer Lodge Centre Foundation Inc. (the "Foundation") was incorporated on January 22, 1990 for purposes of supporting activities of the Centre that are not normally subject to government funding. During the year, the Centre received the following from the Foundation:

	2002	2001
Collaborative Research Unit	$ 42,031	$ 20,537
Learning Resource Centre	126,324	63,721
Interdisciplinary Summer Research Program	-	29,000
J. W. Crane Memorial Library	200,000	200,000
Other designated equipment	5,650	-
	$ 374,005	$ 313,258

(b) Auxiliary of Deer Lodge Centre:

The Auxiliary of Deer Lodge Centre is an independent organization whose primary purpose is to raise funds and assist with projects which support the mission and philosophy of the Centre to provide enrichment to the quality of life for patients and residents. During the year, the Centre received grants for equipment purchases totalling $7,308 (2001 - $22,735) from the Auxiliary.

10. Commitment:

Under the terms of an agreement with the WRHA Logistics Services, the Centre is committed to acquiring its total requirement for patient food services and related management services through the regional distribution facility of WRHA Logistics Services. The commitment is for a period of 20 years effective from September 1, 1998.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Members of the Economic Innovation and Technology Council

We have audited the balance sheet of the Economic Innovation and Technology Council as at March 31, 2002 and the statements of revenue, expenditure and funds retained, the statement of Economic Innovation and Technology Fund revenue and grant expenditure and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 15, 2002

Economic Innovation and Technology Council
Balance Sheet

Exhibit A

March 31	2002	2001
Assets		
Current		
Petty cash	$ 400	$ 400
Funds on deposit with Minister of Finance		
Cash	110,594	326,818
Term deposits (and accrued interest)	69,291	517,994
Accounts receivable		
Province of Manitoba	95,507	11,712
Other	19,005	80
Notes receivable (Note 3)	103,066	103,067
Prepaid expenses	5,000	8,001
	402,863	968,072
Notes receivable (Note 3)	125,000	228,066
Investment in Manitoba Technology Centre Ltd. (Note 4)	1	1
Capital assets		22,643
	$ 527,864	$ 1,218,782
Liabilities		
Current		
Accounts payable and accrued liabilities		
Province of Manitoba	$ 6,000	$ 6,000
Other	100,030	139,246
	106,030	145,246
Equity		
Funds retained (Exhibit B)	421,834	1,073,536
	$ 527,864	$ 1,218,782

See accompanying notes to the financial statements.

Economic Innovation and Technology Council

Exhibit B

Statements of Revenue, Expenditure and Funds Retained

Year Ended March 31	2002	2001
Revenue		
Province of Manitoba		
Operating grant	$	$ 1,023,900
Government of Canada, program grant	69,429	
Sundry	21,569	50,233
	90,998	1,074,133
Expenditure		
Operating expenses (Schedule 1)	742,700	994,829
(Deficiency) excess of revenue over expenditure	$ (651,702)	$ 79,304
Funds retained, beginning of year	$ 1,073,536	$ 994,232
(Deficiency) excess of revenue over expenditure	(651,702)	79,304
Funds retained, end of year (Exhibit A)	$ 421,834	$ 1,073,536

See accompanying notes to the financial statements.

Exhibit C

Economic Innovation and Technology Council
Statements of Economic Innovation and Technology Fund Revenue and Grant Expenditure

Year Ended March 31	2002	2001
Revenue - Grant from Province of Manitoba (Note 5)	$ 199,161	$ 270,457
Grant expenditure	199,161	270,457
Excess of grant revenue over expenditure / funds retained	$ -	$ -

Economic Innovation and Technology Council

Exhibit D

Statement of Cash Flows

Year Ended March 31	2002	2001
Increase (decrease) in cash and funds on deposit		
Operating		
(Deficiency) excess of Council operations revenue over expenditure (Exhibit B)	$ (651,702)	$ 79,304
Items not involving cash		
Amortization	24,198	7,689
Net changes in non-cash working capital balances		
Accounts receivable	(102,720)	907,485
Prepaid expenses	3,001	977
Accounts payable and accrued liabilities	(39,216)	(738,819)
Notes receivable	103,067	103,067
(Decrease) increase in cash from operations	(663,372)	359,703
Investments		
Acquisition of capital assets, net	(1,555)	(12,128)
Net (decrease) increase in cash	(664,927)	347,575
Cash and funds on deposit, beginning of year	845,212	497,637
Cash and funds on deposit, end of year	$ 180,285	$ 845,212
Represented by:		
Cash	$ 400	$ 400
Funds on deposit with Minister of Finance		
Cash	110,594	326,818
Term deposits	69,291	517,994
	$ 180,285	$ 845,212

See accompanying notes to the financial statements.

Economic Innovation and Technology Council
Notes to the Financial Statements
March 31, 2002

1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

EITC is economically dependent upon the Province of Manitoba.

2. Significant accounting policies

a) Basis of Reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

b) Cash and funds on deposit

Cash and funds on deposit include cash on hand, balances with the Minister of Finance and short term deposits with original maturities of three months or less.

3. Notes receivable

The notes receivable arise from the redemption of EITC's common shares in Manitoba Technology Centre Ltd. (MTC) for $434,200 are non-interest bearing, and are payable in instalments as follows:

June 1, 2002	$ 103,066 (Note 7)
June 1, 2003	125,000

4. Investment in Manitoba Technology Centre Ltd.

Effective June 1, 1996, EITC discontinued its role in the operations of the Environmental Sciences Centre (ESC). Prior to June 1, 1996, the financial activities of ESC were reflected in the financial statements of EITC. On June 1, 1996, EITC entered into a public/private partnership with Enviro-Test Laboratories, a division of ETL Chemspec Analytical Limited (ETL). A new corporation, Manitoba Technology Centre Ltd. (MTC), was incorporated and certain assets of EITC, namely the assets of ESC, were transferred to MTC pursuant to an Asset Purchase Agreement in exchange for 25 Class A Common Shares with a paid-up capital value of $25, 1,500,000 Class A Special Preferred Shares with a redemption and paid-up capital value of $875,000, and 1 Class B Special Preferred Share with a paid-up capital value of $1. Subsequent to the Asset Purchase Agreement, MTC issued 75 Class A Common Shares with a paid-up capital value of $75 to ETL. A Unanimous Shareholders Agreement between EITC and ETL sets out the rights and obligations in respect of the shares of MTC. The regular operations and management of MTC are the responsibility of ETL.

Class A Special Preferred Shares

Each Class A Special Preferred Share was non-voting, redeemable and retractable on a semi-annual basis, with one share cancelled for each dollar contributed or invested by ETL in equipment, facilities, management and marketing. The redemption amount of the shares was equal to the agreed value of ESC's contributed assets of $875,000 divided by 1,500,000 or $.5833 per share. As part of the Unanimous Shareholders Agreement, ETL is committed to contributing $1,500,000 over the first three years of the agreement.

All Class A Special Preferred Shares were redeemed prior to May 31, 2001.

Class B Special Preferred Share

The Class B Special Preferred Share is non-voting, retractable and redeemable at $1.00 per share.

Effective May 31, 2001, EITC has the option of retaining ownership of the Class B Special Preferred Share as long as it may wish and be entitled for so long as it holds this share to nominate one director to the Board of Directors provided that:

1. EITC no longer holds any common shares;
2. MTC continues to occupy premises owned by the Province of Manitoba; and
3. MTC has material contracts with the Province of Manitoba.

Common Shares

On May 31, 1999, MTC redeemed EITC's 25 common shares with a paid up capital value of $25 for $434,200.

The redemption price will be paid in instalments as disclosed in Note 3. Non-interest bearing promissory notes have been provided to EITC, and a gain of $434,175 resulting from this redemption has been recorded.

Economic Innovation and Technology Council
Notes to the Financial Statements
March 31, 2002

5. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business.

6. Pension plan

In accordance with the provisions of The Civil Service Superannuation Act, employees of EITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. EITC is required to make contributions equal to the amounts contributed to the Fund by employees. Under this Act, EITC has no further pension liability.

7. Subsequent event

Subsequent to year end, EITC received the third instalment of $103,066 from MTC.

Economic Innovation and Technology Council Schedule of Expenses

Schedule 1

Year Ended March 31

	2002	2001
Advertising and promotion	**$ 46,331**	$ 6,213
Amortization	**24,198**	7,689
Canadian Technology Network	**69,429**	
Computer		39,775
Council activities	**162,350**	396,444
Equipment rental and maintenance		6,978
Fees, memberships and conferences	**10,000**	4,003
Insurance		935
Postage, delivery and telephone		14,657
Printing and stationery	**83**	6,412
Professional development		1,409
Professional fees	**7,435**	5,875
Purchased services	**396,912**	60,225
Rental and property tax	**2,940**	50,165
Salaries and benefits	**(33)**	371,044
Travel	**23,055**	23,005
	$ 742,700	$ 994,829

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly and
The Directors of The Horse Racing Commission

We have audited the balance sheet of The Horse Racing Commission as at March 31, 2002 and the statements of operating revenue and expenditure and fund balances and general fund operating expenditure for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 3, 2002

THE HORSE RACING COMMISSION

Exhibit A

Balance Sheet
as at March 31, 2002
(with 2001 figures for comparison)

		Restricted Funds				Total	
Assets	General Fund	Pari-mutuel Levy Fund	H.B.P.A. Fund	C.T.H.S. Fund	General Support Fund	Year ended March 31 2002	2001
Current assets:							
Cash on hand and in bank	$ 227,966	$ -	$ 362,628	$ 268,482	$ -	$ 859,076	$ 865,204
Due from General Fund	-	-	-	-	2,397	2,397	28,757
Pari-mutuel levy receivable	-	65,915	-	-	-	65,915	44,625
Pari-mutuel levy distribution receivable	6,748	-	46,454	12,713	-	65,915	44,625
Receivable - other	100	-	-	-	-	100	-
	234,814	65,915	409,082	281,195	2,397	993,403	983,211
Long-term funding commitments Province of Manitoba	261,007	-	-	-	-	261,007	233,793
	$ 495,821	$ 65,915	$ 409,082	$ 281,195	$ 2,397	$ 1,254,410	$ 1,217,004
Liabilities							
Current liabilities:							
Accounts payable and accrued liabilities	$ 33,209	$ -	$ 409,082	$ 281,195	$ 2,397	$ 725,883	$ 679,494
Deferred revenue	3,415	-	-	-	-	3,415	-
Due to C.T.H.S. Fund	-	12,713	-	-	-	12,713	8,473
Due to General Fund	-	6,748	-	-	-	6,748	4,613
Due to General Support Fund	2,397	-	-	-	-	2,397	28,757
Due to H.B.P.A. Fund	-	46,454	-	-	-	46,454	31,539
	39,021	65,915	409,082	281,195	2,397	797,610	752,876
Long-term liability:							
Provision for employee pension benefits	261,007	-	-	-	-	261,007	233,793
	300,028	65,915	409,082	281,195	2,397	1,058,617	986,669
Unrestricted fund balances end of year, Exhibit B	195,793	-	-	-	-	195,793	230,335
	$ 495,821	$ 65,915	$ 409,082	$ 281,195	$ 2,397	$ 1,254,410	$ 1,217,004

APPROVED BY THE COMMISSION

Chairman

Comptroller

THE HORSE RACING COMMISSION

Exhibit B

Statement of Operating Revenue and Expenditure and Fund Balances for the year ended March 31, 2002 (with 2001 figures for comparison)

		Restricted Funds				Total	
	General Fund	Pari-mutuel Levy Fund	H.B.P.A. Fund	C.T.H.S. Fund	General Support Fund	Year ended March 31 2002	2001
Revenue:							
Fees, licenses and fines (Note 4)	$ 101,492	$ -	$ -	$ -	$ -	$ 101,492	$ 99,695
Grant from the Government of the Province of Manitoba	-	-	-	-	-	-	141,800
Grant from The Horse Racing Commission	-	-	-	-	12,478	12,478	16,228
Grant from the Manitoba Lotteries Distribution System	-	-	-	-	491,100	491,100	491,100
Interest	7,315	-	4,653	6,679	-	18,647	31,368
Pari-mutuel levy	-	3,421,685	-	-	-	3,421,685	3,131,447
Pari-mutuel levy fund distribution	356,844	-	2,424,530	640,311	-	3,421,685	3,131,447
Sundry	708	-	-	-	-	708	-
Long-term funding commitments - Province of Manitoba	27,214	-	-	-	-	27,214	27,199
	493,573	3,421,685	2,429,183	646,990	503,578	7,495,009	7,070,284
Expenditure:							
General Fund expenditures, Exhibit C	528,115	-	-	-	-	528,115	557,580
Overnight purse support thoroughbred	-	-	2,429,183	-	-	2,429,183	2,226,857
Owners/breeders incentive thoroughbred	-	-	-	646,990	-	646,990	593,804
Pari-mutuel levy fund distribution	-	3,421,685	-	-	-	3,421,685	3,131,447
Quarter Horse support	-	-	-	-	22,200	22,200	14,700
Standardbred rural support	-	-	-	-	481,378	481,378	492,628
	528,115	3,421,685	2,429,183	646,990	503,578	7,529,551	7,017,016
(Deficiency) excess of revenues over expenses	(34,542)	-	-	-	-	(34,542)	53,268
Fund balances, beginning of year	230,335	-	-	-	-	230,335	177,067
Fund balances, end of year	$ 195,793	$ -	$ -	$ -	$ -	$ 195,793	$ 230,335

THE HORSE RACING COMMISSION

Exhibit C

Statement of General Fund Operating Expenditure
for the year ended March 31, 2002
(with 2001 figures for comparison)

	2002	2001
Expenditure:		
Advertising and promotion	$ 688	$ 3,831
Commissioners' per diem and honoraria	19,231	31,658
Drug, alcohol and security	8,376	8,254
Employee benefits	33,469	24,800
Equipment and office furniture	3,587	17,682
Equipment rentals	8,697	6,079
Memberships and dues	4,717	6,039
Office	8,744	7,929
Pension cost	30,988	30,652
Professional fees	87,434	87,969
Recruiting costs	-	2,732
Repairs and maintenance	6,403	7,004
Research grant	(5,000)	5,000
Salaries		
Administration	55,821	59,660
Security	25,253	22,939
Stewards and judges	147,037	136,524
Veterinarian services	44,790	46,197
Sundry	922	630
Support grant	12,478	16,228
Telephone	7,130	7,913
Travel	27,350	27,860
	$ 528,115	$ 557,580

THE HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2002

1. Nature of operations

The objectives of the Commission are to govern, direct, control and regulate horse racing and the operations of horse race tracks in Manitoba.

The operating expenditures of the Commission in excess of revenue derived from its regulatory activities are funded through an appropriation of the Government of the Province of Manitoba. Administrative grant monies drawn down in excess of actual expenditures are retained by the Commission. However, such retained funds in excess of actual expenditures reduce subsequent administrative grants.

Revenues and expenditures related to program delivery and administrative activities of the Manitoba Horse Racing Commission are reported in the General Fund.

Effective April 1, 1997, Pari-mutuel Levy and Consequential Amendments Act (the "Act") was enacted. The act provides for the establishment of a Pari-mutuel Levy Fund for the promotion of horse racing in Manitoba. The fund is collected by the Commission and distributed in accordance with a Plan For Distribution, as required by the Act.

Horsemen's Benevolent Protection Association (H.B.P.A.) Fund is to be used for overnight purses at Assiniboia Downs. Funding for the H.B.P.A. Fund is provided through the Pari-mutuel Levy and Consequential Amendments Act based on the Plan For Distribution approved by the minister.

Canadian Thoroughbred Horsemen Society (C.T.H.S.) Fund is to be used for breeder's and owner's incentives at Assiniboia Downs. Funding for the C.T.H.S. Fund is provided through the Pari-mutuel Levy and Consequential Amendments Act based on the Plan For Distribution approved by the minister.

General Support Fund is used for funding of the rural circuit as well as Quarter Horse racing. Funding for the General Support Fund is provided through the Manitoba Lotteries Distribution System.

2. Significant accounting policies

A) Revenue from the Province of Manitoba

Funding from the Province of Manitoba includes the Commission's share of provisions recorded for unfunded pension liabilities.

B) Pension costs

These consists of the employer's share of pension benefits paid to retired employees, as well as the increase in unfunded pension liabilities during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years begin determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 1998.

C) Use of estimates

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

The Commission follows Canadian generally accepted accounting principles with the exception of:

A) Capitalization and depreciation

The costs of building renovations and purchases of equipment and office furniture, which are immaterial in amount, are charged directly to operations. Accordingly, depreciation is not provided for in the accounts.

3. Accounting for pension liability and expenses

The Commission follows the accrual method of accounting for its unfunded pension liability.

The Province of Manitoba has accepted responsibility for the unfunded portion of the pension liability. Accordingly the provision of employee pension benefits is offset by a receivable from the Province of Manitoba. There are no terms of repayment for this receivable.

THE HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2002

4. Fees, licenses and fines

	2002	2001
Assiniboia Downs		
Daily licenses	$ 52,360	$ 52,150
Fees and licenses	33,728	34,826
Fines	10,309	6,114
	96,397	93,090
Rural Circuit		
Daily licenses	2,625	3,875
Fees and licenses	1,625	1,305
Fines	845	1,425
	5,095	6,605
	$ 101,492	$ 99,695

KPMG LLP
Chartered Accountants

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Canada

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AUDITORS' REPORT

To the Members of Insurance Council of Manitoba

We have audited the statement of financial position of the Insurance Council of Manitoba as at March 31, 2002 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada
April 26, 2002

INSURANCE COUNCIL OF MANITOBA

Statement of Financial Position

Sunday, March 31, 2002, with comparative figures for 2001

Assets

	2002	2001
Current assets:		
Cash	$ 79,435	$ 48,854
Money market funds	410,858	129,971
Short-term investments, at cost (note 2)	-	300,000
Prepaid expenses	-	1,639
	490,293	480,464
Capital assets (note 3)	55,163	73,083
	$ 545,456	$ 553,547

Liabilities and Net Assets

	2002	2001
Liabilities:		
Accounts payable and accrued liabilities (note 4)	$ 32,836	$ 31,032
Deferred revenue	79,789	74,660
	112,625	105,692
Net assets	432,831	447,855
Commitments (note 5)		
	$ 545,456	$ 553,547

See accompanying notes to financial statements.

On behalf of the Council:

INSURANCE COUNCIL OF MANITOBA

Statement of Operations and Changes in Net Assets

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Licenses (note 4)	$ 418,117	$ 405,163
Examinations	30,313	28,094
Other	19,489	18,309
Interest income	20,462	31,926
	488,381	483,492
Expenses:		
Advertising, dues and subscriptions	3,007	2,561
Amortization	21,086	22,519
Bank charges and interest	1,169	1,007
Computer consulting fees	4,781	5,323
Council	17,430	22,705
Equipment leases	6,451	4,072
Insurance	2,726	2,681
Loss on disposal of capital assets	393	366
Meetings and trips	30,778	31,372
Office and equipment rental	18,600	17,241
Postage and courier	17,289	21,164
Professional fees	70,720	43,011
Rent	54,255	53,356
Salaries and benefits	243,453	258,331
Telephone	8,905	9,417
Training	2,362	344
	503,405	495,470
Deficiency of revenue over expenses	(15,024)	(11,978)
Net assets, beginning of year	447,855	459,833
Net assets, end of year	$ 432,831	$ 447,855

See accompanying notes to financial statements.

INSURANCE COUNCIL OF MANITOBA

Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	$ (15,024)	$ (11,978)
Items not involving cash:		
Amortization of capital assets	21,086	22,519
Loss on disposal of capital assets	393	366
Change in non-cash operating working capital:		
Prepaid expenses	(279,248)	-
Accounts payable and accrued liabilities	1,804	859
Deferred revenue	5,129	1,898
	(265,860)	13,664
Financing and investing:		
Purchase of capital assets	(3,559)	(30,601)
Sale of capital assets	-	660
Purchase of investments	-	(100,000)
Sale of investments	300,000	200,000
	296,441	70,059
Increase in cash	30,581	83,723
Cash, beginning of year	48,854	25,043
Cash, end of year	$ 79,435	$ 108,766
Cash is defined as:		
Cash	$ 79,435	$ 48,854
Money market funds	410,858	129,971
	$ 490,293	$ 178,825

See accompanying notes to financial statements.

INSURANCE COUNCIL OF MANITOBA

Notes to Financial Statements

Year ended March 31, 2002

General:

The Council was created under the provisions of The Insurance Act (Manitoba) on October 17, 1991 and commenced activities on May 6, 1992. The purpose of the Council is to administer the examinations for and licensing of insurance agents in Manitoba. The Council is exempt from income taxes under section 149(1) of the *Income Tax Act.*

1. **Significant accounting policies:**

(a) Capital assets:

Capital assets are recorded at cost and are amortized over their estimated useful lives as follows:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer hardware and software	Declining balance	30%

(b) Fee revenue:

License fees are recognized as income over the term of the license period, other fee revenue is recognized as collected.

(c) Use of estimates:

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from those estimates.

2. Short-term investments:

	2002	2001
Manitoba Hydro Bonds, 5%, maturing June 15, 2001	$ -	$ 200,000
Manulife guaranteed investment certificate, 4.625%, maturing April 1, 2001	-	50,000
Manulife guaranteed investment certificate, 4.625%, maturing October 1, 2001	-	50,000
	$ -	$ 300,000

The fair value of the short-term investments approximates the carrying value at March 31, 2001.

3. Capital assets:

			2002	2001
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 38,013	$ 26,312	$ 11,701	$ 12,621
Computer hardware	63,869	42,364	21,505	30,722
Computer software	74,985	53,028	21,957	29,740
	$ 176,867	$ 121,704	$ 55,163	$ 73,083

4. Related party transactions:

The Council and the Office of the Superintendent of Insurance of Manitoba ("OSIM") levy fees on members. The Council acts as agent and remits 46% of license fees to the OSIM. This 46% is not included in the financial statements. In 2002, this amount is $402,051 (2001 - $386,397).

Included in accounts payable and accrued liabilities is $22,611 (2001 - $25,508) payable to OSIM.

5. Commitments:

Leases:

The Council leases its office premises under the provisions of an operating lease which expires July 31, 2002, with the intent to renew for another 3 year term. The Council also leases equipment under the provisions of operating leases. Lease commitments to expiry of leases are as follows:

2003	$ 57,078
2004	58,196
2005	58,196
2006	21,154
2007	2,620

HAUGEN MORRISH
CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To The Board of Governors
Keewatin Community College

We have audited the balance sheet of Keewatin Community College as at June 30, 2001 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Haugen Morrish
CHARTERED ACCOUNTANTS

The Pas, Manitoba
August 30, 2001

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STATEMENT 1

KEEWATIN COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2001

	KCC Operating Fund	Inter-Universities North Fund	Trust and Endowment Fund	Combined 2001	Combined 2000
ASSETS					
CURRENT					
Cash and short term investments	$1,330,230	$60,269	$101,746	$1,492,245	$229,884
Accounts receivable (Note 3)	712,682	80,507		793,189	975,468
Due from COPSE (Note 4)	354,657	9,425		364,082	344,856
Inventory	130,341			130,341	162,455
Prepaid expenses	62,179	2,152		64,331	45,259
	2,590,089	152,363	101,746	2,844,188	1,757,922
CAPITAL ASSETS (Note 5)	1,393,828	25,581		1,419,409	1,443,444
DUE FROM PROVINCE OF MANITOBA (Note 6)	1,541,079	5,010		1,546,089	1,579,817
TOTAL ASSETS	$5,524,996	$182,944	$101,746	$5,809,686	$4,781,183
LIABILITIES					
CURRENT					
Due to Province of Manitoba	$250,000	$	$	$250,000	$427,912
Accounts payable (Note 7)	585,350	60,401		645,751	803,079
Due to (from) other funds	68,259	(68,259)		0	0
Deferred grant revenue (Note 8)	492,923	100,392		593,315	537,004
Accrued vacation benefits	1,173,336	41,176		1,214,512	1,159,340
	2,569,868	133,710		2,703,578	2,927,335
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 9)	290,796	25,581		316,377	210,916
ACCRUED SEVERANCE BENEFITS	953,138	23,653		976,791	995,389
	3,813,802	182,944		3,996,746	4,133,640
FUND BALANCES					
FUND SURPLUS (DEFICIT)					
CONTRIBUTED SURPLUS	218,701			218,701	218,701
NET ASSETS INVESTED IN CAPITAL ASSETS	1,103,032			1,103,032	1,232,530
NET ASSETS RESTRICTED FOR TRUST & ENDOWMENT PURPOSES			101,746	101,746	82,286
UNRESTRICTED NET ASSETS	389,461			389,461	(885,974)
	1,711,194		101,746	1,812,940	647,543
TOTAL LIABILITIES & FUND BALANCES	$5,524,996	$182,944	$101,746	$5,809,686	$4,781,183

KEEWATIN COMMUNITY COLLEGE
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2001

	UNRESTRICTED		RESTRICTED	NET ASSETS INVESTED IN CAPITAL ASSETS		CONTRIBUTED SURPLUS	
	KCC Operating Fund	Inter-Universities North Fund	Trust and Endowment Fund	KCC Operating Fund	Inter-Universities North Fund	KCC Operating Fund	Combined 2001
FUND SURPLUS (DEFICIT), Beginning of year, as previously reported	$(885,974)		$82,286	$1,232,530	-	$218,701	$647,543
EXCESS REVENUE							
KCC Operating Fund	1,145,937						1,145,937
Inter-Universities North Fund					-		0
Trust and Endowment Fund			19,460				19,460
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS							
Amortization expense	156,507	8,459		(156,507)	(8,459)		
Amortization of deferred contributions related to capital assets	(27,009)	(8,459)		27,009	8,459		
Purchase of capital assets	140,930			(140,930)			
Deferred contributions related to capital assets	(140,930)			140,930			
Disposal of capital assets							
FUND SURPLUS, End of year	$389,461	$0	$101,746	$1,103,032	$0	$218,701	$1,812,940

KEEWATIN COMMUNITY COLLEGE
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED JUNE 30, 2001

	KCC Operating Fund	Inter-Universities North Fund	Trust and Endowment Fund	Combined 2001	Combined 2000
REVENUES					
Grants					
Council on Post-Secondary Education	$11,891,767	$754,603	$	**$12,646,370**	$12,326,939
Other (Schedule 1)	863,592			**863,592**	469,233
Amortization of deferred contributions related to capital assets	27,009	8,459		**35,468**	8,823
Ancillary sales and services (Schedule 2)	1,287,043			**1,287,043**	1,185,352
Donations	9,000		107,100	**116,100**	150,540
Investment income	66,437	4,602	6,360	**77,399**	37,956
Market Driven Training Centre	1,441,552			**1,441,552**	891,077
Tuition and student fees (Schedule 3)	1,634,005	393,411		**2,027,416**	2,044,623
Other revenue	302,089	31,295		**333,384**	472,929
	17,522,494	1,192,370	113,460	**18,828,324**	17,587,472
EXPENDITURES (Schedule 4)					
Advertising	214,215	15,753		**229,968**	225,803
Amortization of capital assets	156,507	8,459		**164,966**	145,506
Bad debts	87,883	13,497		**101,380**	267,400
Cost of Goods Sold	705,769			**705,769**	598,921
Employee benefits	924,147	61,947		**986,094**	910,948
Insurance	34,408			**34,408**	28,703
Library acquistions	38,499			**38,499**	51,856
Loss on disposal of capital assets				-	28,126
Facility costs	597,316			**597,316**	616,236
Furniture and minor equipment	387,067	4,632		**391,699**	439,235
Maintenance and repairs	91,442	6,537		**97,979**	99,603
Operational supplies and services	1,526,959	64,439		**1,591,398**	1,524,752
Property taxes	397,253			**397,253**	401,553
Rentals and leases	253,389	14,736		**268,125**	220,067
Salaries	10,097,931	776,452		**10,874,383**	10,922,114
Scholarships and bursaries			94,000	**94,000**	90,333
Telephone and communication	337,422	14,847		**352,269**	320,741
Travel and hospitality	408,875	211,071		**619,946**	596,837
Utilities	117,475			**117,475**	143,596
	16,376,557	1,192,370	94,000	**17,662,927**	17,632,330
EXCESS REVENUES (EXPENDITURES)	$1,145,937	$0	$19,460	**$1,165,397**	$(44,858)

STATEMENT 4

KEEWATIN COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2001

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess Revenues (Expenditures)		
KCC Operating Fund	$1,145,937	$(65,672)
Inter-Universities North Fund	0	(1,086)
Trust and Endowment Fund	19,460	21,900
	1,165,397	(44,858)
Add (deduct) items not involving cash		
Loss on disposal of capital assets		28,126
Amortization of capital assets	164,966	145,506
Amortization of deferred contributions related to capital assets	(35,468)	(8,823)
	1,294,895	119,951
Add (deduct) changes in non-cash working capital components related to operating activities		
Accounts receivable	182,278	(9,281)
Due from COPSE	(19,227)	(6,991)
Inventory	32,114	480
Prepaid expenses	(19,072)	(38,097)
Due from Province of Manitoba	33,728	
Due to Province of Manitoba	(177,912)	(100,000)
Accounts payable and accrued liabilities	(157,328)	(64,522)
Deferred grant revenue	56,311	78,808
Accrued vacation benefits	55,172	198,008
Accrued severance benefits	(18,598)	148,576
	1,262,361	326,932
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred contributions related to capital assets	140,930	186,053
	140,930	186,053
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(140,930)	(186,053)
Proceeds on disposal of capital assets	0	34,119
	(140,930)	(151,934)
NET INCREASE IN CASH FLOWS DURING THE YEAR	1,262,361	361,051
CASH RESOURCES, BEGINNING OF YEAR	229,884	(131,167)
CASH RESOURCES, END OF YEAR	$1,492,245	$229,884

KEEWATIN COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

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1. NATURE OF OPERATIONS

Keewatin Community College operates under the authority of the Colleges Act, Chapter C150.1 of the continuing consolidation of the Statutes of Manitoba.This legislation established the College as a board-governed institution on April 1, 1993.

The college has tax-exempt status as a registered charity under the Income Tax Act.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Accounting

The transactions of the corporation have been segregated into the following funds in accordance with specified activities or objectives:

KCC Operating Fund - transactions related to educational and ancillary activities of Keewatin Community College.

Inter-Universities North Fund - transactions related to the educational programs of the Inter-Universities North Program which is administered by Keewatin Community College.

Trust and Endowment Fund - transactions related to donations and endowments for student scholarships and bursaries.

b) Revenue Recognition

Tuition and fees are recognized as revenue in the semester or term earned.

Revenue from Market Driven Training contracts is recognized during the year at a rate approximating the delivery of the contracted programs and services.

Investment income is recognized as revenue when earned.

Contributions:

> Unrestricted contributions and grants are recognized as revenue when received or receivable.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.

Donations are reported as revenue when received.

Endowment contributions (and/or investment income thereon) that are held in perpetuity according to restrictions placed by the donors are recognized as direct increases in the Trust and Endowment Fund Balance.

Contributions (or portions permitted thereof) which are designated for the purchase of capital assets are deferred and amortized to revenue at the same rate as the related capital assets are amortized to expenditures.

c) Short-term investments

Investments are recorded at the lower of cost or net realizable value.

d) Inventory

Inventory is recorded at the lower of cost or net realizable value.

e) Capital Assets

Individual capital assets with a value greater than $5,000 are capitalized and recorded at cost in the year of acquisition. Individual capital assets with a value less than $5,000 are expensed in the year of acquisition. Amortization of capitalized assets is recorded on a straight line basis commencing the year after acquisition over the following periods:

Automotive equipment	5 years
Buildings	40 years
Building improvements	10 years
Computer equipment	5 years
Other Equipment	10 years

Library holdings are valued using the "base stock" method, and accordingly are recorded at the value transferred upon governance at April 1, 1993. No amortization is taken on library holdings, and subsequent library acquistions are expensed in the year of acquisition.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Certain capital assets purchased for specific Market Driven Training contracts are expensed in the year of purchase.

3. ACCOUNTS RECEIVABLE

	2001	*2000*
KCC Operating Fund		
Students	$201,718	$195,867
Market Driven Training	725,698	770,706
Other	270,128	270,779
	1,197,544	1,237,352
Less: Allowance for doubtful accounts	(484,862)	(396,129)
	$712,682	$841,223
Inter-Universities North Fund		
Students	$73,896	$ 92,271
Other	27,570	51,139
	101,466	143,410
Less: Allowance for doubtful accounts	(20,959)	(9,165)
	$80,507	$134,245

4. DUE FROM COPSE

Accrued operating grants and reimbursements receivable from the Council on Post Secondary Education:

	2001	*2000*
ACRS	$153,230	$148,029
Property Taxes	198,744	196,827
Reimbursement - student 10% tuition rebates	12,108	-
	$364,082	$344,856

5. CAPITAL ASSETS

		Accumulated	*Net Book Value*	
	Cost	*Amortization*	*2001*	*2000*
KCC Operating Fund				
Automotive equipment	$275,254	$157,747	$117,507	$145,992
Computer equipment	471,866	325,428	146,438	168,876
Other equipment	698,511	373,797	324,714	343,950
Buildings	47,000	11,751	35,249	36,425
Building Improvements	55,759	-	55,759	-
Library Holdings	714,161	-	714,161	714,161
	$2,262,551	$868,723	$1,393,828	$1,409,404

5. CAPITAL ASSETS (continued)

	Cost	*Accumulated Amortization*	*Net Book Value 2001*	*Net Book Value 2000*
Inter-Universities North Fund				
Computer equipment	$34,986	$18,752	$16,234	$23,232
Other equipment	14,616	5,269	9,347	10,808
	$49,602	$24,021	$25,581	$34,040

6. DUE FROM PROVINCE OF MANITOBA

The Province of Manitoba has recognized its liability to the College for the opening balances of accrued employee severance benefits and vacation benefits as at April 1, 1998, when the College assumed responsibility for these expenditures. During the year the Province of Manitoba conducted an actuarial evaluation of the liability and determined that the accrued balance at April 1, 1998 should be reduced by $33,728, and accordingly the Province has reduced its commitment to the College by that amount. There are no terms of repayment for the balance due.

	2001	*2000*
Accrued severance benefits, April 1, 1998	$793,500	$827,228
Accrued vacation benefits, April 1, 1998	752,589	752,589
	$1,546,089	$1,579,817

7. ACCOUNTS PAYABLE

KCC Operating Fund	*2001*	*2000*
Trade accounts payable	$64,216	$280,145
Wages and benefits payable	103,322	18,205
Due to student associations	9,184	6,075
Accrued ACRS	153,230	148,028
Accrued property taxes	198,744	196,828
Other accrued liabilities	56,654	41,662
	$585,350	$690,943

Inter-Universities North Fund	*2001*	*2000*
Trade accounts payable	$32,801	$97,856
Other accrued liabilities	27,600	14,280
	$60,401	$112,136

KEEWATIN COMMUNITY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2001

8. DEFERRED GRANT REVENUE

Deferred contributions reported in each fund relate to designated contributions received in the current year that are related to expenditures of a subsequent year. Changes in deferred contributions during the year are as follows:

KCC Operating Fund	***Beginning of year***	***Increases***	***Decreases***	***End of year***
COPSE - overpayment	$105,100	$ -	$(105,100)	$ -
COPSE - Restorative Justice	11,500	-	(11,500)	-
COPSE - capital grant	-	14,970	-	14,970
COPSE - HEAP grant	-	83,950	-	83,950
Manitoba Hydro	15,000	15,000	(800)	29,200
Manitoba (Education&Training)				
Computer based learning	-	2,575	-	2,575
Computer based Health ed	27,500	-	-	27,500
Market Driven Training contracts in progress	254,727	244,675	(254,727)	244,675
Miscellaneous	-	800	-	800
Non Timber Forest Products Training	-	11,835	-	11,835
Northern Scientific Training Program	957	561	-	1,518
Recycling grant	-	900	-	900
University ofManitoba Faculty of Nursing	90,000	100,000	(115,000)	75,000
	$504,784	$475,266	$(487,127)	$492,923

Inter-Universities North Fund

COPSE operating	$27,720	$95,317	$(27,720)	$95,317
COPSE overpayment	4,500	5,075	(4,500)	5,075
	$32,220	$100,392	$(32,220)	$100,392

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Beginning of year	*Increases*	*Decreases*	*End of year*
KCC Operating Fund	$176,876	$140,930	$(27,010)	$290,796
Inter-Universities North Fund	$34,040	$ -	$(8,459)	$25,581

10. PENSION COSTS AND OBLIGATIONS

The College's employees are contributing members of the provincially operated Civil Service Superannuation Plan or the Teachers Retirement Annuity Fund, defined benefit pension plans. The accumulated superannuation liabilities continue to be funded directly by the Province of Manitoba, rather than the corporation itself. The benefit to the College of having its share of pension benefits paid directly by the Province of Manitoba has not been quantified by an actuarial valuation. The employee contributions during the fiscal year were $508,875. (1999/2000 - $423,103).

11. RECONCILIATION OF COPSE GRANTS RECEIVED AND GRANT REVENUE

	KCC	*IUN*
COPSE grant payments received during year	$12,061,861	$848,528
Add: payment received in prior fiscal year	105,100	4,500
Less: overpayment deferred to subsequent year	-	(5,075)
Less: reimbursements for student 10% tuition rebates	(59,961)	(25,753)
COPSE grants authorized for fiscal year	$12,107,000	$822,200
Less: Deferred to subsequent fiscal year	(98,920)	(95,317)
Add: Deferred from prior fiscal year	11,500	27,720
Less: Deferred contributions related to capital assets	(134,930)	-
Add: Change in accrued ACRS and property tax funding	7,117	-
COPSE grant revenue (statement 3)	$11,891,767	$754,603

12. CONTRACTUAL OBLIGATIONS

The College has entered into various contracts to rent office equipment, lease facility space, and for services provided by third parties for food services, security and building management. Contractual obligations over the next five years are as follows:

2001/02	298,700
2002/03	208,400
2003/04	33,100
2004/05	-
2005/06	-

KEEWATIN COMMUNITY COLLEGE

SCHEDULES TO THE FINANCIAL STATEMENTS

Year ended June 30

	2001	2000
SCHEDULE 1 - OTHER GRANT REVENUE		
Province of Manitoba (Employment & Training)		
Aboriginal Distance Education	$ -	$ 30,556
Computer Based Learning System	114,864	129,700
Flin Flon Employment Centre	5,758	59,512
Health Care Aide	15,717	-
I-link and Other Technologies	-	28,890
Personal Leadership Development	-	67,650
Non-Timber Forest Products	52,060	31,440
	188,399	347,748
Province of Manitoba (Intergovernmental Affairs) Non-Timber Forest Products	3,750	-
Assiniboine Community College	17,000	-
Government of Canada Western Economic Diversification Non-Timber Forest Products	168,015	31,485
Manitoba Hydro	800	-
NOR-MAN Regional Health Authority	76,201	-
School District of Mystery Lake No. 2355	294,427	-
University of Manitoba Faculty of Nursing	115,000	90,000
	$863,592	$469,233
SCHEDULE 2 - ANCILLARY SALES AND SERVICES		
Bookstore	$768,027	$668,064
Cafeteria	221,412	211,166
Residence	297,604	306,122
	$1,287,043	$1,185,352
SCHEDULE 3 - TUITION AND STUDENT FEES		
Apprenticeship	$763,205	$666,635
Credit	809,690	1,081,958
Non-credit	61,110	10,898
	$1,634,005	$1,759,491

Office of the Auditor General

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Winnipeg, Manitoba
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AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Legal Aid Services Society of Manitoba

We have audited the balance sheet of The Legal Aid Services Society of Manitoba as at March 31, 2002 and the statements of revenue and expenditure, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Legal Aid Services Society of Manitoba as at March 31, 2002 and the results of its operations and its cash flow for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
August 2, 2002

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Balance Sheet
as at March 31

	2002	2001
ASSETS		
Current Assets		
Bank	$ 181,721	$ 434,398
Client accounts receivable, net (Note 3)	1,063,833	986,487
Receivable from the Province of Manitoba	80,000	77,000
Receivable from the Gov't of Canada	68,965	-
Receivable from the Manitoba Law Foundation	48,750	-
Other receivables, net (Note 4)	89,884	83,405
Prepaid expense	461,947	276,951
	1,995,100	1,858,241
Capital Assets, Net (Note 5)	88,510	11,705
Long-term receivable - severance - Province of Manitoba (Note 6)	716,166	716,166
Long-term receivable - pension - Province of Manitoba (Note 13)	8,121,522	7,254,785
	$ 10,921,298	$ 9,840,897
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 1,084,413	$ 921,879
Accrued vacation pay	758,117	649,912
Deferred revenue from clients	375,770	352,215
Deferred contribution from Province of Manitoba (Note 7)	30,000	30,000
	2,248,300	1,954,006
Severance liability (Note 6)	1,001,117	895,503
Provision for employee pension benefits (note 13)	8,121,522	7,254,785
Net Assets	(449,641)	(263,397)
	$ 10,921,298	$ 9,840,897

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Statement of Revenue and Expenditure
for the year ended March 31

	2002	2001
Revenue		
Province of Manitoba (Note 8)	$ 15,445,958	$ 14,656,891
Manitoba Law Foundation (Note 9)	2,088,908	1,523,935
Contributions from clients	938,693	989,074
Recoveries from third parties	651,630	680,238
Government of Canada	85,732	3,116
Judgment costs and settlements	117,987	162,854
Interest income	16,008	40,591
Other	3,178	2,982
	$ 19,348,094	$ 18,059,681
Expenditure		
Private bar fees and disbursements, net (Note 12)		
Legal aid certificates	$ 8,078,804	$ 7,160,533
Duty counsel services	133,964	208,911
Transcripts and Other Contributed Services	82,326	84,384
	8,295,094	7,453,828
Community Law Centres, Schedule 1	6,982,178	6,654,126
Public Interest Law Centre, Schedule 1	523,732	486,828
University Law Centre, Schedule 1	69,951	73,604
General and administrative, Schedule 1	3,663,383	3,414,455
	$ 19,534,338	$ 18,082,841
Deficiency of revenue over expenditure	$ (186,244)	$ (23,160)

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Statement of Cash Flow
for the year ended March 31

	2002	2001
Cash Flow Provided by (Used In) Operating Activities:		
Deficiency of revenue over expenditure for the year	$ (186,244)	$ (23,160)
Add items not affecting cash		
Amortization	8,216	1,163
Bad Debt Expense	152,913	318,936
Changes in working capital:		
Client accounts receivable	(230,259)	(344,614)
Province of Manitoba receivable	(3,000)	29,000
Gov't of Canada receivable	(68,965)	-
Manitoba Law Foundation receivable	(48,750)	-
Other receivables	(6,479)	20,119
Prepaid expense	(184,996)	(213,796)
Accounts payable and accrued vacation pay	270,739	185,156
Deferred revenue	23,555	4,206
Deferred contribution from Province of Manitoba	-	(140,770)
	(273,270)	(163,760)
Cash Flow Provided by (Used In) Financing Activities:		
Increase in long-term funding commitments	(866,737)	(822,154)
Increase in severance liability	105,614	52,276
Increase in provision for employee pension benefits	866,737	822,154
	105,614	52,276
Cash Flow Provided by (Used In) Investing Activities:		
Purchase of capital assets	(85,021)	(12,868)
	(85,021)	(12,868)
Net Increase/(Decrease) in Cash for the Year	(252,677)	(124,352)
Cash - Beginning of Year	434,398	558,750
Cash - End of Year	$ 181,721	$ 434,398

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Statement of Changes in Net Assets
for the year ended March 31

	2002			2001
	Invested in Capital Assets	Unrestricted Net Assets	Total	Total
Balance, Beginning of Year as previously stated	$ -	$ (275,102)	$ (275,102)	$ (240,237)
Restatement of Prior Year (Note 15)	11,705	-	11,705	-
Balance, Beginning of Year as Restated	11,705	(275,102)	(263,397)	(240,237)
Deficiency of Revenue over Expenditures	(8,216)	(178,028)	(186,244)	(23,160)
Capital Asset Additions	85,021	(85,021)	-	-
BALANCE, END OF YEAR	$ 88,510	$ (538,151)	$ (449,641)	$ (263,397)

THE LEGAL AID SERVICES SOCIETY OF MANITOBA

Notes to Financial Statements
for the year ended March 31, 2002

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1. Nature of the Society

The Legal Aid Services Society of Manitoba (the Society) was established by an Act of the Legislative Assembly of Manitoba.

The objects of the Society, as set out in the Act, are:

- to provide legal advice and services to individuals, groups and organizations who, left to their own means, could not afford to retain the service of a lawyer.
- to furnish legal aid advice to groups and organizations involving matters of an interest common to members of the group and relating to issues of public interest such as, but not restricted to, consumer and environmental issues.

The Society is economically dependent upon the Province of Manitoba. Other revenue sources include the Manitoba Law Foundation, individual clients, and third party agencies.

2. Significant Accounting Policies

a) Accounting Basis

The financial statements are prepared on an accrual basis of accounting except for private bar fees and disbursements which are recognized as expenditures based on lawyers' billings dates rather than the dates of providing required services.

b) Recognition of Contributions from Clients

Clients may be required to pay a portion or all of the legal costs incurred on their behalf by the Legal Aid Services Society of Manitoba based on the clients' ability to pay.

i) Agreements to Pay

Clients who are able to pay, sign an agreement to pay for their portion of the applicable legal costs. The amount the client is required to pay is specified on the legal aid certificate. The revenue and receivable are recognized when the certificate is signed.

ii) Expanded Eligibility

Under terms of expanded eligibility, clients are required to pay all of the legal costs and an administration fee of 25%. The revenue and receivable are recognized based on the date of the lawyer's billing.

iii) Charges on Land

Charges on Land are registered under Section 17 of the Legal Aid Services Society Act in Land Titles on property owned by clients. The revenue and receivable are recognized at the later of the date the lien is filed or the date of the lawyer's billing. Collection of these accounts in the future is dependent on the client disposing of the property or arranging for payment.

c) Allowance for Doubtful Accounts

An allowance for doubtful accounts is recorded against receivables based on a specific review of accounts, except for the allowance against charges on land, which is recorded at 50% of the outstanding balance.

d) Capital Assets

Capital Assets are recorded at cost less accumulated amortization. Amortization is proved on the straight-line basis over the estimated useful life of the asset as follows:

- Furniture and office equipment - 10 years
- Computer Hardware and Software - 4 years
- Leasehold Improvements - over the term of the lease

e) Contributed Services

Under an arrangement between the Society and the Department of Justice, the Department provides transcripts and other services to the Society at no cost. The value of these contributed services is recorded as revenue and as an expenditure.

f) Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

g) Pension Plan

Employees of the Society are pensionable under the Civil Service Superannuation Act. The Society accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial valuation.

h) Financial Instruments

Legal Aid Services Society's financial instruments consist of cash, accounts receivable, accounts payable, and accrued liabilities. Unless otherwise noted, it is management's opinion that the Society is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

3. Client Accounts Receivable, net

	2002	2001
Agreements to Pay	$ 66,266	$ 55,734
Expanded Eligibility	412,364	375,421
Charges on Land	1,693,688	1,627,663
	2,172,318	2,058,818
Less: Allowance for Doubtful Accounts	1,108,485	1,072,331
Clients Accounts Receivable, net	$ 1,063,833	$ 986,487

4. Other Receivables, net

	2002	2001
Court Costs	$ 172,681	$ 147,049
Child & Family Services	5,705	3,970
Social Services	68,465	68,785
Employee Advances and GST Recoverable	11,051	4,227
	257,902	224,031
Less: Allowance for Doubtful Accounts	168,018	140,626
Other Receivables, net	$ 89,884	$ 83,405

5. Capital Assets

	2002		2001	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and office equipment	$ 32,212	$ 1,841	$ 2,301	$ 115
Computer Hardware & Software	23,493	3,942	4,023	503
Leasehold Improvements	42,185	3,597	6,544	545
	$ 97,890	$ 9,380	$12,868	$ 1,163
Net Book Value		$ 88,510		$ 11,705

6. Severance pay benefits

Effective April 1, 1998, Legal Aid is recording accumulated severance pay benefits for their employees. Severance pay is determined by multiplying years of service, to a maximum of fifteen years, by the weekly salary at date of retirement, provided the employee reaches nine years of service and retires from Legal Aid. The estimate is based upon the method of calculation set by the Province of Manitoba.

The Province accepted responsibility for the severance benefits accumulated by Legal Aid employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $716,166 was completely offset by a receivable from the Province. There are no terms of repayment for the receivable, and the amount will remain fixed at $716,166.

7. Special Trial

During the fiscal year ended March 31, 1999, Legal Aid retained counsel for a number of accused under a special order from the Province of Manitoba. These retainers are not governed by Legal Aid tariff or regulations but are a special agreement between the Private Bar and Legal Aid. All funding received from the Province of Manitoba for this trial is restricted solely for expenditures incurred in the process of defending those accused. Any funding not committed at the end of the special trial must be returned to the Province of Manitoba.

	2002	2001
Revenue from the Province of Manitoba	$ -	$ 1,342,715
Expenditures, Private Bar and Staff	-	1,342,715
Excess of revenue over (under) expenditure	$ -	$ -

At March 31, 2002, Legal Aid was holding $30,000 in deferred contributions from the Province of Manitoba pertaining to this special trial. The main trial was completed within the prior fiscal year, however final assessment of billings related to appeal proceedings are still outstanding.

8. Revenue from the Province of Manitoba

	2002	2001
Grant	$ 8,023,200	$ 7,691,605
Salaries and other payments	6,662,042	6,243,761
Health and post secondary education tax levy	144,579	132,360
Employer portion of employee benefits	463,378	426,128
Contributed Services	152,759	163,037
	$ 15,445,958	$ 14,656,891

Funding from the Province of Manitoba includes the Society's share of provisions recorded for unfunded pension liabilities.

9. Revenue from the Manitoba Law Foundation

	2002	2001
Statutory Grant	$ 1,893,908	$ 1,328,935
Public Interest Law Centre	150,000	150,000
University Law Centre	45,000	45,000
	$ 2,088,908	$ 1,523,935

A statutory grant, pursuant to subsection 65(1) of The Law Society Act, is received annually from The Manitoba Law Foundation. The Society's share under the Act is 50% of the total interest on lawyers' trust accounts as received by the Foundation or a minimum of $1,007,629, whichever is greater. In the event that interest received by the Foundation in the preceding year, after deduction of the Foundation's operational expenses, is not sufficient to pay the statutory minimum of $1,007,629 to The Legal Aid Services Society, the Act provides for pro-rata sharing of the net interest.

For March, 2002 the amount of the grant exceeded the minimum due to higher interest rates during 2000/01 and the level of lawyer trust accounts.

Other grants from The Manitoba Law Foundation are received pursuant to subsection 65(4) of The Law Society Act. These grants are restricted for the Public Interest Law Centre and the University Law Centre. At March 31, 2002, there were no unrestricted funds remaining from these grants.

10. Commitments

i) Lease

The Society rents facilities under operating leases. Unpaid remaining commitments under the leases, which expire at varying dates to March 31, 2007 are:

2003	$ 430,237
2004	$ 399,386
2005	$ 399,386
2006	$ 399,386
2007	$ 274,412
	$ 1,902,807

ii) Private Bar

Estimated total commitments for future billings on outstanding legal aid certificates amount to $6,707,000 as at March 31, 2002 (2001 - $6,293,000).

11. Related Parties Transactions

The Society is related in terms of common ownership to all Province of Manitoba created departments, agencies and crown corporations. The Society enters into transactions with these entities in the normal course of business.

12. Private Bar Fees and Disbursements, net

	Fees	Disbursements	2002 Total	2001 Total
Legal Aid Certificates	$7,377,718	$687,452	$8,065,170	$ 7,200,260
Reduction in fees	(52,310)	-	(52,310)	(231,590)
Holdback Repayment	65,944	-	65,944	191,863
	7,391,352	687,452	8,078,804	7,160,553
Duty Counsel	133,921	-	133,921	209,773
Reduction in fees	(720)	-	(720)	(2,502)
Holdback Repayment	763	-	763	1,640
	133,964	-	133,964	208,911
Transcripts and Other Contributed Services	-	82,326	82,326	84,384
Net	$7,525,316	$769,778	$ 8,295,094	$ 7,453,828

Since 1992 the private bar fees have been reduced by a percentage determined by the Board. The specific reduction applied to the private bar fees is the reduction in fees approved by the Board relating to the year in which the legal aid file was opened. For March 31, 2002 the percentage reduction in fees approved by the Board was set at 5% for criminal matters only. However, a holdback holiday was in place for all files billed in the 2002 fiscal year. There is no liability for the reduction of fees held back beyond the distribution approved by the Board each year.

13. Provision for Employee Pension Benefits

Pension costs consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined by an actuarial valuation every three years with the balances for the intervening years being determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 1998 by Ellement & Ellement Ltd., Consulting Actuaries.

	2002	2001
Balance at beginning of year	$ 7,254,785	$ 6,432,631
Benefits accrued	414,865	379,401
Interest accrued on benefits	551,823	484,440
Benefits paid	(99,951)	(41,687)
Balance at end of year	$ 8,121,522	$ 7,254,785

The key actuarial assumptions were a rate of return of 7% (1995 - 7.5%), 3% inflation (1995 - 3.75%), salary rate increases of 4.5% (1995 - 5.5%) and post retirement indexing at 2/3 of the inflation rate. The entry age normal actuarial cost method was used and the liabilities have been extrapolated to March 31, 2002 using a formula provided by the actuary.

The Province of Manitoba has accepted responsibility for the unfunded pension liability. Accordingly the provision for employee pension benefits is offset by a receivable from the Province of Manitoba. There are no terms of repayment for this receivable.

14. Public Sector Compensation Disclosure

For the purposes of the Public Sector Compensation Disclosure Act, all compensation for employees, Board members and the private bar fees and disbursements from The Legal Aid Services Society of Manitoba is disclosed in a separate statement.

15. Change in Accounting Policy

Effective April 1, 2001, The Legal Aid Services Society changed their accounting policy to reflect the capitalization of tangible capital assets. This policy has been accounted for retroactively to April 1, 2000. This change in accounting policy has had the effect of decreasing the deficiency of revenue over expenditures reported at March 31, 2002 by $76,805 (2001 - $11,705) and increasing the net assets balance at March 31, 2002 by $88,510 (2001 - $11,705).

16. Comparative Figures

Certain of the 2001 financial statement figures have been reclassified to be consistent with the 2002 presentation.

STEFANSON & LEE
Chartered Accountants

AUDITORS' REPORT

To the Board of Directors of
Manitoba Adolescent Treatment Centre Inc.

We have audited the balance sheet of Manitoba Adolescent Treatment Centre Inc. as at March 31, 2002 and the statement of operations and the statements of changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Centre's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Stefanson & Lee
Chartered Accountants

Winnipeg, Manitoba
May 17, 2002

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Balance Sheet
March 31, 2002

	2002	2001
ASSETS		
Current		
Cash	$ 1,081,852	850,890
Prepaid expenses	15,422	14,056
Accounts receivable	19,228	17,550
Pre-retirement leave receivable	357,925	357,925
	1,474,427	1,240,421
Capital assets (note 3)	2,059,150	2,138,399
	$ 3,533,577	3,378,820
LIABILITIES		
Current		
Accounts payable	$ 324,710	214,605
Accrued wages	189,174	177,673
Pre-retirement leave payable	357,925	357,925
Vacation pay payable	605,506	551,642
Current portion of long-term debt	30,000	30,000
	1,507,315	1,331,845
Long-term debt (note 4)	37,500	67,500
Deferred contributions (note 5)	16,029	17,560
Deferred contributions relating to capital assets (note 6)	1,238,270	1,313,841
	2,799,114	2,730,746
NET ASSETS		
Unrestricted	(18,917)	(63,696)
Net investment in capital assets	753,380	711,770
	734,463	648,074
	$ 3,533,577	3,378,820

APPROVED BY THE BOARD:

_______________ **DIRECTOR**

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Statement of Operations
for the year ended March 31, 2002

		2002	2001
Income			
Program			
Winnipeg Regional Health Authority	$	7,327,504	7,326,064
Province of Manitoba		25,000	25,000
Recovery and other		136,752	122,012
		7,489,256	7,473,076
Rental income		3,079	4,274
Miscellaneous income		2,801	2,905
Special projects		1,531	11,321
Amortization of deferred contributions		110,571	126,071
		7,607,238	7,617,647
Expenses			
Programs			
Hospital services		4,439,947	4,579,602
Community Child and Adolescent Treatment Services		1,474,785	1,352,058
Acute Treatment and Consultation Team		439,006	398,997
Youth Forensic Services		361,372	343,835
Educational Psychiatric Services		663,637	690,428
		7,378,747	7,364,920
Special projects		1,531	11,321
Amortization of capital assets		140,571	156,071
		7,520,849	7,532,312
Excess of income over expenses for the year	$	86,389	85,335

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Statement of Changes in Net Assets
for the year ended March 31, 2002

	Invested in Capital Assets	Unrestricted	2002 Total	2001 Total
Balance, beginning of year	$ 711,770	(63,696)	648,074	562,739
Excess of revenues over expenses for the year	-	86,389	86,389	85,335
Investment in capital assets	41,610	(41,610)	-	-
Amortization	(30,000)	30,000	-	-
Long-term debt repayment	30,000	(30,000)	-	-
Balance, end of year	$ 753,380	(18,917)	734,463	648,074

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Cash Flow Statement
for the year ended March 31, 2002

		2002	2001
Cash from operating activities			
Excess income over expenses for the year	$	86,389	85,335
Adjustments for non-cash items			
Amortization of capital assets		140,571	156,071
Change in deferred contributions		(1,531)	(11,321)
Net change in non-cash working capital items		172,427	135,524
Amortization of deferred contributions		(110,571)	(126,071)
Cash provided by operating activities		287,285	239,538
Financing and investing activities			
Mortgage principal repayments		(30,000)	(30,000)
Capital funding for asset purchases		35,000	35,000
Purchase of capital assets		(61,323)	(51,983)
Cash used in financing and investing activities		(56,323)	(46,983)
Change in cash for the year		230,962	192,555
Cash position, beginning of year		850,890	658,335
Cash position, end of year	$	1,081,852	850,890

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Notes to Financial Statements
March 31, 2002

1. Purpose:

The Manitoba Adolescent Treatment Centre Inc. (M.A.T.C.) was incorporated in the Province of Manitoba without share capital on February 23, 1983 as a non-profit organization and is a registered charity for income tax purposes. M.A.T.C. provides inpatient and outpatient accommodation as well as rehabilitative and medical care and treatment programs to children and adolescents in Manitoba.

2. Significant accounting policies:

Revenue recognition

The Centre follows the deferral method for accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue as earned.

Capital assets

Capital assets are recorded at cost. Amortization is charged to the assets to amortize the cost over the estimated useful lives of the assets at the following annual rates.

Buildings	5% declining balance
Equipment	20% declining balance

Vacation pay

Vacation pay is recorded on the accrual basis. The vacation pay liability at March 31 is reflected as a payable in the statements. The receivable from government relating to the vacation pay will not be recorded until the vacation liability is settled.

Repayment to/from funders

Reimbursement of operational funding over approved expenditures and payment for approved expenditures over operational funding as determined by the funder are reflected through the unrestricted net asset balance in the year of payment or reimbursement.

Pre-retirement leave

Pre-retirement leave is recorded on the accrual basis. The receivable and the corresponding liability are reflected in the statements.

3. Capital assets:

		2002			2001
		Cost	Accumulated Amortization	Net	Net
Land	$	542,743	-	542,743	542,743
Buildings		3,132,475	1,781,775	1,350,700	1,390,402
Equipment		952,372	786,665	165,707	205,254
	$	4,627,590	2,568,440	2,059,150	2,138,399

4. Long-term debt:

		2002	2001
Toronto Dominion Bank, first mortgage, monthly payments of $2,500 plus interest at prime minus 1/2%	$	67,500	97,500
Less current portion included in current liabilities		30,000	30,000
	$	37,500	67,500

5. Deferred contributions:

		2002	2001
Grant from Winnipeg Foundation			
Balance, beginning of year	$	17,560	28,881
Less allocation to income		1,531	11,321
Balance, end of year	$	16,029	17,560

6. Deferred contributions relating to capital assets:

		2002	2001
Balance, beginning of year	$	1,313,841	1,404,912
Capital funding received		35,000	35,000
Amortization of deferred contributions		(110,571)	(126,071)
	$	1,238,270	1,313,841

7. Commitment:

The Centre entered into a contractual agreement relating to renovations to the building at 228 Maryland. The total contract is approximately $285,000 and the project will be completed in the March 2003 fiscal year. At March 31, 2002, the liability recorded in the accounts relating to this contract is $55,210.

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Schedule I - Schedule of Program Operations
for the year ended March 31, 2002

	Hospital Services	Community Child and Adolescent Treatment Services	Acute Treatment and Consultation Team	Youth Forensic Services	Educational Psychiatric Services	Total 2002	Total 2001
Income							
Winnipeg Regional Health Authority	$ 4,413,127	1,520,724	422,304	335,195	636,154	7,327,504	7,326,064
Province of Manitoba	-	-	-	25,000	-	25,000	25,000
Winnipeg School Division No. 1	-	-	-	-	41,368	41,368	37,276
Other	95,384	-	-	-	-	95,384	84,736
	4,508,511	1,520,724	422,304	360,195	677,522	7,489,256	7,473,076
Expenditures							
Program							
Salaries and wages	3,204,079	1,082,073	296,864	293,110	484,088	5,360,214	5,355,538
Employee benefits	376,346	125,596	36,878	27,399	44,985	611,204	693,440
Health and Education levy	69,166	23,238	6,244	6,391	10,559	115,598	115,334
Accounting services	5,271	1,958	1,077	880	586	9,772	10,447
Professional and membership fees	14,467	1,500	1,200	8,794	12,990	38,951	35,720
Purchased services	127,057	98,700	46,103	-	99,993	371,853	458,972
Long-term debt interest	-	4,982	-	-	-	4,982	7,836
Other supplies and operating costs	643,561	136,738	50,640	24,798	10,436	866,173	687,633
	4,439,947	1,474,785	439,006	361,372	663,637	7,378,747	7,364,920
Capital							
Principal repayment of long-term debt	-	30,000	-	-	-	30,000	30,000
Total expenditures	4,439,947	1,504,785	439,006	361,372	663,637	7,408,747	7,394,920
Excess (deficiency) of income over expenditure for the year	$ 68,564	15,939	(16,702)	(1,177)	13,885	80,509	78,156

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly of Manitoba, and
To the Board of Directors of the Manitoba Agricultural Credit Corporation

We have audited the balance sheet of The Manitoba Agricultural Credit Corporation as at March 31, 2002, the statement of revenue and expenditure and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 29, 2002

The Manitoba Agricultural Credit Corporation

Balance Sheet

As at March 31, 2002

	2002 $ (000s)	2001 $ (000s)
Assets		
Cash (Note 3)	$ **12,645**	$ 7,382
Receivables (Notes 2 and 6)		
Mortgages (Note 4)	**275,809**	270,641
Other (Note 5)	**19,254**	17,910
Long - term funding commitments - Province of Manitoba (Note 7)	**5,346**	4,940
Real estate (Notes 2 and 12)	**1,972**	2,184
	$ **315,026**	$ 303,057
Liabilities and Deficit		
Accounts payable		
Unearned real estate revenue	$ **28**	$ 32
Other	**1,132**	1,068
Provision for Young Farmer Rebate	**524**	511
Provision for losses on guaranteed loans (Notes 2 and 11)	**7,899**	6,862
Provision for employee pension benefits (Notes 2 and 9)	**5,117**	4,711
Advances from Province of Manitoba (Note 8)	**326,423**	314,545
	341,123	327,729
Deficit		
Balance, beginning of year	**(24,672)**	(23,035)
Excess of expenditure over revenue	**(1,425)**	(1,637)
Balance, end of year (Note 17)	**(26,097)**	(24,672)
	$ 315,026	$ 303,057

Contingent Liabilities (Note 11)

The Manitoba Agricultural Credit Corporation

Statement of Revenue and Expenditure

for the year ended March 31, 2002

	2002 $ (000s)	2001 $ (000s)
Revenue		
Interest		
Mortgages	$ 20,509	$ 20,075
Other	1,225	1,453
Cash on deposit with Province of Manitoba	574	556
	22,308	22,084
Province of Manitoba - Net Funding (Note 15)	4,639	3,832
Services donated by Province of Manitoba (Note 2)	109	130
Real estate (Note 10)	188	534
Change in provision for decline in real estate values (Note 12)	35	40
Other	43	823
	27,322	27,443
Expenditure		
Administration costs		
Salaries and benefits (Note 2)	4,064	3,994
Impaired loan losses (Note 2 and 6)	766	757
Change in provision for losses on guaranteed loans	685	1,203
Assistance under the Manitoba Farm Mediation Board Program	95	73
Young Farmer Rebate	1,682	1,562
Flood proofing initiative administration	152	159
Other administration costs	1,037	1,236
	8,481	8,984
Financing charges		
Interest on advances from Province of Manitoba	20,266	20,096
	28,747	29,080
Excess of expenditure over revenue	$ 1,425	$ 1,637

The Manitoba Agricultural Credit Corporation

Statement of Cash Flows

for the year ended March 31, 2002

	2002 $ (000s)	2001 $ (000s)
Cash Provided By (Used for)		
Operating activities		
Excess of expenditure over revenue	**$ (1,425)**	$ (1,637)
Items not involving cash		
Change in provision for impaired loan losses	**423**	566
Gain on disposal of real estate	**(18)**	(347)
Change in provision for decline in real estate value	**(35)**	(40)
Change in provision for Young Farmer Rebate	**13**	(633)
Change in provision for losses on guaranteed loans	**1,037**	1,111
Change in provision for employee pension benefits	**406**	348
Mortgage loans disbursed	**(48,889)**	(38,446)
Mortgage principal received	**42,763**	31,383
	(4,300)	(6,058)
Increase in other receivables	**(1,592)**	(1,676)
(Increase) decrease in mortgage receivables	**376**	(508)
Increase in accounts payable	**60**	38
	(1,156)	(2,146)
Cash used for operating activities	**(6,881)**	(9,841)
Investing activities		
Proceeds from real estate disposals	**750**	1,783
Real estate acquisitions	**(484)**	(148)
Cash provided by investing activities	**266**	1,635
Financing activities		
Advances received from Province of Manitoba	**81,800**	65,770
Advances repaid to Province of Manitoba	**(69,922)**	(61,932)
Cash provided by financing activities	**11,878**	3,838
Net increase (decrease) in cash	**5,263**	(4,368)
Cash, beginning of year	**7,382**	11,750
Cash, end of year	**$ 12,645**	$ 7,382

The Manitoba Agricultural Credit Corporation

Notes to the Financial Statements

As at March 31, 2002

1. Nature of Operations

The Manitoba Agricultural Credit Corporation was incorporated under The Agricultural Credit Corporation Act of Manitoba. Under this Act, the corporation provides and administers financial assistance to farmers to assist in the development of farms in Manitoba.

2. Significant Accounting Policies

a) Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

b) Allowances for Impaired Loans

The allowances for impaired loans are determined annually by a review of individual accounts. The allowances represent management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectibility of principal or interest, specific allowances are established for individual accounts. These accounts are valued at the lower of their recorded value and the estimated net realizable value of the security held for the accounts.

In addition to the allowances for impaired loans identified on an individual loan basis, the corporation establishes a further allowance for impaired loans. This additional allowance for loan impairment represents management's best estimate of probable losses in its entire loan portfolio, due to potential future declines in the value of the real estate taken as the underlying security for these loans.

Current year provisions for impaired loans are charged to administration expenditure as impaired loan losses. Actual accounts written off by Board resolution are charged to the allowances for impaired loans.

c) Provision for losses on guaranteed loans

The provisions for losses on guaranteed loans are determined annually by a review of individual guarantees. The provisions represent management's best estimate of probable claims against the guarantees. Where circumstances indicate the likelihood of claims arising, provisions are established for those loan guarantees. These provisions would cover principal, accrued and unpaid interest, and amounts recoverable.

Current year provisions for losses on guaranteed loans are charged to administration expenditure. Actual claims paid are charged to the provisions for losses on guaranteed loans. Recoveries are credited against current year's expenditure.

2. Significant Accounting Policies (continued)

d) Real Estate Acquired in Settlement of Loans

Real estate that is acquired in settlement of loans through foreclosures and voluntary transfers of title is recorded at the lower of the recorded value of the loan and the appraised value of the real estate at acquisition date. Subsequent declines or increases in estimated realizable value are not recorded. Real estate is stated net of a provision for decline in real estate value.

e) Real Estate Under Long-Term Lease

Real estate that was acquired under the land lease program for long-term leases is recorded at cost.

f) Pension Plan

Employees of the Corporation are pensionable under the Civil Service Superannuation Act. The Corporation accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial valuation.

g) Donated Services

The Province of Manitoba provides certain administrative services at no charge to the corporation. The estimated fair value of $108,870 for these services is included in salaries expenditure and donated services revenue in these financial statements.

h) Measurement Uncertainty – Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Cash

	2002 (000s)	2001 (000s)
Cash on hand and in bank	$ 265	$ 1,174
Cash on deposit with Province of Manitoba	12,380	6,208
	$ 12,645	$ 7,382

The Manitoba Agricultural Credit Corporation

Notes to the Financial Statements

As at March 31, 2002

4. Mortgages Receivable

a)

		2002 (000s)	2001 (000s)
Amounts are due over the following terms:			
1 year	- Accrued interest	$ 12,134	$ 12,432
	- Arrears	2,041	1,959
	- Prepayments	(12,617)	(11,321)
	- Regular instalments	23,516	22,153
		25,074	25,223
2 years	- Regular instalments	24,244	22,792
3 years	- Regular instalments	24,961	23,289
4 years	- Regular instalments	24,356	23,851
5 years	- Regular instalments	24,624	22,919
Over 5 years	- Regular instalments	169,647	169,084
		292,906	287,158
Less: Allowance for impaired loans		17,097	16,517
		$ 275,809	$ 270,641

4. Mortgages receivable (continued)

b)

Terms of mortgages receivable

Direct lending program mortgages and special assistance program mortgages are fixed rate mortgages which have an average yield as follows.

	Direct Lending Mortgages (000s)	Special Assistance Mortgages (000s)	Total (000s)
Less than 6.00%	$ 6,768	$ -	$ 6,768
6.01% to 7.00%	116,061	26,748	142,809
7.01% to 8.00%	113,400	2,713	116,113
More than 8.00%	26,257	959	27,216
	$ 262,486	$ 30,420	$ 292,906

These mortgages have maturities as follows:

	Average Interest Rate	Direct Lending Mortgages (000s)	Special Assistance Mortgages (000s)	Total (000s)
1 to 4 years	7.806%	$ 12,531	$ 1,500	$ 14,031
5 to 9 years	7.198%	70,372	25,068	95,440
10 to 14 years	7.268%	99,511	2,907	102,418
15 to 19 years	7.229%	53,896	836	54,732
20 to 24 years	7.397%	20,992	109	21,101
More than 25 years	7.645%	5,184	-	5,184
		$ 262,486	$ 30,420	$ 292,906

The Manitoba Agricultural Credit Corporation

Notes to the Financial Statements

As at March 31, 2002

5. Other Receivables

	2002 (000s)	2001 (000s)
Stocker loan advances	$ 18,882	$ 18,122
Flood proofing loan initiative	3,859	3,344
Lease revenue	80	121
Sale of real estate	0	241
Miscellaneous	203	9
	23,024	21,837
Less: Allowance for impaired loans	3,770	3,927
	$ 19,254	$ 17,910

6. Allowances for Impaired Loans

	2002 (000s)	Provision (000s)	Write-Offs (000s)	2001 (000s)
Direct lending mortgages	$ 11,584	$ 623	$ 75	$ 11,036
Special assistance mortgages	5,513	138	106	5,481
	17,097	761	181	16,517
Stocker loan advances	2,616	(3)	78	2,697
Flood proofing loan initiative	1,112	0	30	1,142
Other	42	8	54	88
	3,770	5	162	3,927
	$ 20,867	$ 766	$ 343	$ 20,444

7. Long-term funding commitments – Province of Manitoba

	2002 (000s)	2001 (000s)
Employee Severance	$ 229	$ 229
Employee Pension Benefits	5,117	4,711
	$ 5,346	$ 4,940

8. Advances from Province of Manitoba

In accordance with Province of Manitoba practices, the corporation must repay advances according to the amortization schedule or be subject to a prepayment penalty. The mark to market calculation for any principal prepayment will be the present value of the cash flows on the principal being repaid against the cash flows using a yield to maturity on the date of the payment compounded semi-annually that a non-callable Province of Manitoba Bond would carry, if issued in Canadian dollars in Canada, at 100% of its principal amount on the payment date with a term to maturity equal to the remaining term to maturity of the loan being repaid.

	2002 **(000s)**	2001 (000s)
Advances are repayable in equal annual blended instalments of principal and interest, with interest rates from 2.600% to 8.000%. Maturities of principal by fiscal year are as follows:		
2002	**$ -**	$ 52,417
2003	**56,511**	25,322
2004	**28,097**	25,818
2005	**27,604**	24,484
2006	**27,783**	23,053
2007	**28,288**	22,788
2008 through 2026	**158,140**	140,663
	$ 326,423	$ 314,545

9. Provision for employee pension benefits

Corporation employees are eligible for defined benefit pensions under The Manitoba Civil Service Superannuation Act. In accordance with the provisions of this Act, the corporation contributes 50% of the pension disbursements made to retired employees.

Actuarial valuations are to be carried out every three years to provide an estimate of the accrued liability for unfunded pension benefits. The most recent actuarial valuation was performed as at December 31, 1998. Based on the 1998 valuation for "Future Indexing", the actuarial liability for unfunded pension benefits is estimated to be $5,116,572 at March 31, 2002 (2001 - $4,710,100).

The Manitoba Agricultural Credit Corporation

Notes to the Financial Statements

As at March 31, 2002

10. Real estate revenue

	Proceeds (000s)	Book Value (000s)	**2002** **(000s)**	2001 (000s)
Sales to lessees	$ 224	$ 168	**$ 56**	$ 291
Sales by public tender	526	564	**(38)**	56
	$ 750	$ 732		
Net gain on sale of real estate			**18**	347
Lease revenue from real estate acquired in settlement of loans and from long-term leases			**184**	216
Other revenue			**2**	2
Interest revenue			**15**	15
			219	580
Less: Real estate carrying costs			**31**	46
			$ 188	$ 534

11. Contingent Liabilities

a) The corporation introduced the Guaranteed Operating Loan Program beginning April 1, 1983. The corporation guarantees each participating lending institution 12 1/2% of the respective total value of loans made under this program. As of March 31, 2002, the corporation's contingent liability amounted to $9,615,631 (2001 - $9,365,631). Based on management's best estimate of probable losses, the corporation has made a provision for this contingency in the amount of $1,977,450 (2001 - $2,264,063). The corporation adjusts the provision to the level regarded by management as appropriate through a current provision charged or credited to administration expenditure for the year.

b) The Manitoba Cattle Feeder Associations Loan Guarantee Program was introduced jointly by Manitoba Agriculture and Food and The Manitoba Agricultural Credit Corporation in November 1991. In September 1997, The Manitoba Agricultural Credit Corporation assumed responsibility for administration of the program. For each association, the corporation provides a guarantee to the lending institutions, based on 25% of the amount of the loan to a maximum guarantee of $1,250,000. As of March 31, 2002 the corporation's contingent liability amounted to $6,657,494 (2001 - $6,973,027). Based on management's best estimate of probable losses, a provision has been made for this contingency in the amount of $1,664,374 (2001 - $1,743,257).

11. Contingent Liabilities (continued)

c) The Diversification Loan Guarantee Program was introduced in December 1995, to provide guarantees on loans made by participating lenders, for diversification or farm value-added activities. As at March 31, 2002, the corporation's contingent liability under this program amounted to $17,785,514 (2001 - $19,033,264). Based on management's best estimate of probable losses on this program, the corporation has established a provision in the amount of $2,667,826 (2001 - $2,854,989).

d) The Diversification Loan Guarantee Program was enhanced in 2001 eliminating lender pooling of guarantees and the maximum of $3,000,000 for qualifying loans. As at March 31, 2002, the corporation's contingent liability under the DLG+ program amounted to $10,595,163 (2001- Nil). Based on management's best estimate of probable losses on this program, the corporation has established a provision in the amount of $1,589,273 (2001 - Nil).

e) The corporation has guaranteed performance bonds of certain agricultural marketing agencies in the amount of $248,422 (2001 - $243,842). No provision for this contingency has been made in the financial statements. Any payments arising from claims under these guarantees will be recorded as an expense in the period the claims occur.

f) As at March 31, 2002 the corporation had approved but not disbursed mortgages and other loans in the amount of $16,868,220 (2001 - $20,727,006).

12. Real estate

Based on a review of its current real estate portfolio, the corporation has established a provision of $37,735 for 2002 (2001 - $72,255) to provide for future declines in real estate values. This provision represents management's best estimate of probable losses on sale of real estate.

	2002 **(000s)**	2001 (000s)
Real Estate	**$ 2,010**	$ 2,256
Provision for decline in real estate values	**38**	72
	$ 1,972	$ 2,184

Notes to the Financial Statements

As at March 31, 2002

13. Interest Paid and Received

During the year, the corporation received interest of $22,808,060 (2001- $21,195,029) and paid interest of $20,265,985 (2001 - $20,096,341).

14. Related Party Transactions

The corporation is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The corporation enters into transactions with these entities in the normal course of business.

15. Revenue - Province of Manitoba

	2002 (000s)	2001 (000s)
Grant	$ 4,233	$ 3,484
Increase in long-term funding commitment	406	348
	$ 4,639	$ 3,832

16. Comparative Figures

Certain 2001 figures have been reclassified to conform to the 2002 financial statement presentation.

17. Economic Dependence

The corporation is economically dependent on the Province of Manitoba.

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

Auditors' Report

To the Members of the Board
Manitoba Arts Council

We have audited the statement of financial position of **Manitoba Arts Council** as at March 31, 2002 and the statements of revenues, expenditures and fund balance for the Grants and Programs Fund and Bridges Fund for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2002 and the results of its operations and its cash flows for the year ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 6, 2002

MANITOBA ARTS COUNCIL

Statement of Financial Position

As at March 31, 2002

	Grants & Programs Fund	Bridges Fund	2002 Total	2001 Total
ASSETS				
Current				
Cash and investments (note 3)	$1,541,885	$ -	$1,541,885	$1,618,479
Accrued interest income	27,485	-	27,485	31,045
Accounts receivable	46,559	-	46,559	3,150
Recoverable, Province of Manitoba (note 12)	36,000	-	36,000	36,000
Prepaid expenses	1,512	-	1,512	9,792
	1,653,441	-	1,653,441	1,698,466
Long term investment (note 4)	500,000	-	500,000	500,000
Musical instruments	104,796	-	104,796	104,796
Works of visual art	344,226	-	344,226	344,226
Capital assets (note 5)	42,772	-	42,772	45,410
Interfund balances	(902,426)	902,426	-	-
TOTAL ASSETS	$1,742,809	$902,426	$2,645,235	$2,692,898
LIABILITIES AND FUND BALANCES				
Current Liabilities				
Accounts payable and accrued liabilities	141,762	19,018	160,780	138,668
Commitments for grants and programs	968,286	387,920	1,356,206	1,418,932
Deferred grant revenue (note 7)	5,000	478,980	483,980	350,000
	1,115,048	885,918	2,000,966	1,907,600
Investments in musical instruments and works of visual art	449,022	-	449,022	449,022
	1,564,070	885,918	2,449,988	2,356,622
Fund Balances				
Invested in capital assets	42,772	-	42,772	45,410
Unrestricted	135,967	16,508	152,475	290,866
	178,739	16,508	195,247	336,276
TOTAL LIABILITIES AND FUND BALANCES	$1,742,809	$902,426	$2,645,235	$2,692,898

On behalf of Council

Chair

Executive Director

The accompanying notes are an integral component of these financial statements.

MANITOBA ARTS COUNCIL

Statement of Revenues and Expenditures

For the year ended March 31, 2002

	Grants & Programs Fund	Bridges Fund	2002 Total	2001 Total
REVENUES				
Province of Manitoba - Operating Grant (note 9)	$7,317,300	$ -	$7,317,300	$7,317,300
Province of Manitoba - Bridges Grant	-	746,020	746,020	761,228
Investment income	114,562	-	114,562	176,156
Other	720	-	720	-
	7,432,582	746,020	8,178,602	8,254,684
EXPENDITURES				
ORGANIZATIONS				
Annual/Operating Grants				
Arts Training Schools	141,000	7,000	148,000	148,000
Arts Service Organizations	172,500	8,625	181,125	177,975
Dance Companies	885,000	43,750	928,750	917,725
Music Organizations	1,224,500	57,175	1,281,675	1,265,484
Theatre Companies	1,343,000	67,150	1,410,150	1,408,575
Visual Arts Organizations	601,500	30,075	631,575	601,475
Book Publishers	194,000	9,699	203,699	203,700
Periodical Publishers	201,000	10,050	211,050	211,050
	4,762,500	233,524	4,996,024	4,933,984
Management & Governance	-	76,020	76,020	-
Presentation Grants	189,827	45,000	234,827	162,049
	4,952,327	354,544	5,306,871	5,096,033
INDIVIDUALS				
Professional Development Grants	188,842	1,000	189,842	170,405
Creation and Production Grants	699,774	-	699,774	792,420
	888,616	1,000	889,616	962,825
ARTS DEVELOPMENT				
Residencies	249,101	-	249,101	202,707
Bridges	-	-	-	225,177
Touring	192,427	-	192,427	221,461
Arts Opportunities	101,275	-	101,275	124,525
Other	104,050	2,250	106,300	138,750
Arts Stabilization	-	200,000	200,000	200,000
Arts Education Conference Grant	-	30,000	30,000	-
	646,853	232,250	879,103	1,112,620
	6,487,796	587,794	7,075,590	7,171,478
Arts Program Delivery Expenditures (See schedule)	563,835	120,186	684,021	603,511
	7,051,631	707,980	7,759,611	7,774,989
Administrative Expenditures (See schedule)	607,085	-	607,085	495,574
	7,658,716	707,980	8,366,696	8,270,563
Rescinded commitments	(47,065)	-	(47,065)	(27,345)
Total expenditures	7,611,651	707,980	8,319,631	8,243,218
Excess revenues (expenditures) for the year	$ (179,069)	$ 38,040	$(141,029)	$ 11,466

The accompanying notes are an integral component of these financial statements.

MANITOBA ARTS COUNCIL

Statement of Changes in Fund Balances

For the year ended March 31, 2002

	Grants & Programs Fund	Bridges Fund	2002 Total	2001 Total
Fund Balances, Beginning of Year	$309,808	$ 26,468	$336,276	$324.810
Excess revenues (expenditures) for the year	(179,069)	38,040	(141,029)	11,466
Interfund transfer	48,000	(48,000)	-	-
Fund Balances, End of Year	$178,739	$ 16,508	$195,247	$336,276

The accompanying notes are an integral component of these financial statements

MANITOBA ARTS COUNCIL

Notes to Financial Statements

For the year ended March 31, 2002

1. Authority & Purpose

The Arts Council Act established the Manitoba Arts Council in 1965 to "... promote the study, enjoyment, production and performance of works in the arts." The Council is a registered charity (public foundation) and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. Summary of Significant Accounting Policies and Reporting Practices

(a) Basis of Presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized in these notes to the financial statements.

(b) Fund Accounting

The financial statements disclose the activities of the following funds maintained by the Council:

(i) Grants & Programs Fund

This fund reflects the disbursement and administration of grants and programs in the spirit of the aims and objects of Council defined in The Arts Council Act.

(ii) Bridges Fund

This fund was established in June 1999 to generate new initiatives in art development and practice, enhance public access to the arts and enhance administrative and governance skills for arts organizations. As well, the program will encourage new partnerships, provide more opportunities for professional development and assist in audience development.

(c) Revenue Recognition

The Council follows the deferral method of accounting for revenues. Unrestricted revenues are recognized as revenue in the appropriate fund when received or receivable. Restricted revenues are recognized as revenue in the fiscal year in which related expenses are incurred.

(d) Grant Commitments

Grants and programs are reflected as expenditures when funding is formally approved and committed by Council. Cancellations of prior years' grant expenditures are reflected as rescinded grant commitments.

(e) Controlled Entities

Manitoba Foundation for the Arts, formerly The Manitoba Arts Council Foundation Inc., a registered charity (public foundation) is not consolidated in these financial statements. The Manitoba Arts Council provides administrative support for the Foundation. The value of these donated services are not recorded in these financial statements.

(f) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis based on the estimated useful lives of the assets as follows:

Office furniture and equipment	5 years
Computer hardware and software	3 years

(g) Investments

Investments are recorded at cost plus accrued interest income which approximates market value.

(h) Musical instruments and works of visual art

Musical instruments and works of visual art are shown on the Balance Sheet as assets at cost with an offsetting credit to investments in musical instruments and works of visual art.

(i) Financial Instruments

The Council's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities and unpaid commitments. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. Cash and Market Investments

	2002		2001	
	Cost	Market	Cost	Market
Cash	$ 90,705	$ 90,705	$ 44,614	$ 44,614
Short Term Investments				
Province of Manitoba trust certificate, yielding 2.00 percent, maturing June 5, 2002	41,615	41,615	-	-
Province of Manitoba trust certificate, yielding 4.85 percent, maturing April 5, 2001	-	-	279,000	279,000
Royal Bank Bankers Acceptance, yielding 4.99 percent, maturing April 4, 2001	-	-	1,294,865	1,299,103
Province of Manitoba trust certificate, yielding 2.00 percent, maturing April 8, 2002	800,000	800,000	-	-
Province of Manitoba trust certificate, yielding 1.90 percent, maturing April 8, 2002	609,565	609,565	-	-
	$1,541,885	$1,541,885	$1,618,479	$1,622,717

4. Long Term Investments

	2002		2001	
	Cost	Market	Cost	Market
Royal Bank Senior Deposit Note, yielding 6.05 percent, due May 26, 2002 extendible to May 26, 2010	$ 500,000	$ 516,010	$ 500,000	$ 508,776

5. Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	$ 10,554	$ 8,628	$ 1,926	$ 2,219
Computer hardware and software	252,006	211,160	40,846	43,191
	$262,560	$ 219,788	$ 42,772	$45,410

6. Works of Visual Art

During the fiscal year ended March 31, 1998, the Manitoba Arts Council completed a move of selected works from the Visual Art Bank to the Art Gallery of Southwestern Manitoba. The Manitoba Foundation for the Arts awarded a grant to the Art Gallery of Southwestern Manitoba for the care, storage and exhibition of those works. An art bank loan agreement between the Council and the Art Gallery of Southwestern Manitoba will end June 30, 2002.

7. Deferred Grant Revenue

Deferred revenue comprises unexpended funds targeted for the Bridges fund as follows:

	2002	2001
Community Connections	$100,000	$250,000
Management & Governance	23,980	100,000
Aboriginal Arts	144,000	-
Arts Education Initiative	50,000	-
Artists-in-the-Community	145,000	-
Website Development	16,000	-
	$478,980	$350,000

8. Lease Commitment

Council has entered into an agreement to lease office premises until March 31, 2012 The basic annual rent is $93,624. Expenses arising from an escalation clause for taxes, insurance, utilities and building maintenance are in addition to the basic rent. Payments for the next five years are as follows:

2003 - $89,108
2004 - $93,624
2005 - $93,624
2006 - $93,624
2007 - $93,624

9. Funding Agreement

The funding agreement with the Province of Manitoba establishes the terms and conditions of funding for five years ended March 31, 2000. During the term of the agreement, Council was entitled to retain proceeds up to $1,000,000 from the Province of Manitoba. Any proceeds retained in excess of $1,000,000, except for proceeds exempted in the funding agreement, shall be repaid to the Province of Manitoba on demand. As at March 31, 2002, the Council was in discussions with the Province of Manitoba regarding the terms of a new Funding Agreement. In accordance with the previous funding agreement, there were no proceeds repayable to the Province of Manitoba.

10. Manitoba Foundation for the Arts

The Manitoba Arts Council controls the Manitoba Foundation for the Arts. The Foundation was established in 1995 to foster new artistic activity by responding to artistic innovation with financial innovation, and to create a lasting legacy for the arts in Manitoba. The Foundation is incorporated under The Corporations Act of Manitoba and is a registered charity under the Income Tax Act. The board of directors currently consists of nine directors, three of whom are members in good standing of the Manitoba Arts Council.

As a result of an agreement dated May 31, 1995 between the Manitoba Arts Council, The Winnipeg Foundation and the Manitoba Foundation for the Arts, the Manitoba Arts Council Fund and the John Stephen Hirsch Fund were terminated and the assets were transferred to The Winnipeg Foundation. The Winnipeg Foundation will hold those assets in the Manitoba Arts Council Endowment Fund and the John Stephen Hirsch Fund.

As part of the above agreement, the Manitoba Foundation for the Arts has a contractual right to receive, in perpetuity, the net income from the Manitoba Arts Council Endowment Fund and the John Stephen Hirsch Fund. Ownership of the units of The Winnipeg Foundation's Consolidated Trust Fund now vest, in perpetuity, with The Winnipeg Foundation. Details of these funds as at March 31, 2002 are as follows:

	Manitoba Arts Council Endowment Fund	John Stephen Hirsch Funds	Total
Capital Contributions	$563,679	$52,446	$616,125
Fair Value	$814,996	$73,073	$888,069

Financial statements of the Manitoba Foundation for the Arts are available on request. A financial summary of the Manitoba Foundation for the Arts as at March 31 is as follows:

	Financial Position			Results of Operations	
	2002	2001		2002	2001
Total assets	$100,739	$103,536	Total revenues	$53,993	$47,307
Total liabilities	5,595	21,281	Total expenditures	41,104	30,252
Total net assets	$ 95,144	$ 82,255	Excess of revenues over expenditures	$12,889	$17,055

11. Pension Plan

Eligible employees are participants in the Manitoba Civil Service Superannuation Fund. The Council participates on a fully funded basis and its contributions of $10,326 (2001 - $10,081) represent the total obligations for the year.

12. Severence Liability

Effective March 31, 1999, the Manitoba Arts Council, as a Crown organization, is required to record severance liability. The Province of Manitoba will recognize an opening liability as at April 1, 1998 ($36,000) to Crown organizations. Any subsequent changes to the severance liaibility will be the responsibility of Council. As at March 31, 2002, Council recorded a liability of $50,500 (2001 - $45,000).

13. Statement of Cash Flows

The financial statements of the Manitoba Arts Council do not include a Statement of Cash Flows. In the opinion of management, the Statement of Cash Flows does not provide additional disclosure.

14. Economic Dependence

A substantial portion of the Council's total revenue is derived from the Province of Manitoba in the form of an operating grant.

15. Comparative Amounts

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

MANITOBA ARTS COUNCIL

Schedule of Administrative Expenditures

For the year ended March 31, 2002

	Grants & Programs Fund 2002 Total	2001 Total
Salaries and benefits	$367,894	$301,897
Council meetings	87,985	66,325
Amortization	34,946	32,818
Rent	30,083	30,014
Postage, courier and telephone	20,524	18,255
Office supplies, printing and stationery	18,954	17,975
Staff travel and expenses	14,691	11,029
Professional fees	22,625	6,691
Equipment repairs and maintenance	3,484	5,309
Insurance & sundry	5,899	5,261
Total Administrative Expenditures	$607,085	$495,574

MANITOBA ARTS COUNCIL

Schedule of Arts Program Delivery Expenditures

For the year ended March 31, 2002

	Grants & Programs Fund	Bridges Fund	2002 Total	2001 Total
Salaries and benefits	$395,737	$52,897	$448,634	$419,703
Jurors' fees and expenses	73,177	854	74,031	71,695
Communication	35,515	3,532	39,047	55,557
Community consultations	6,476	8,026	14,502	7,722
Rent	35,248	4,443	39,691	34,524
Postage, courier and telephone	6,685	1,502	8,187	7,214
Professional fees	-	5,100	5,100	-
Office supplies	2,823	239	3,062	2,253
Staff travel and expenses	8,174	29,593	37,767	4,843
Website development	-	14,000	14,000	-
	$563,835	$120,186	$684,021	$603,511

KWB

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AUDITORS' REPORT

To the Board of Commissioners
Manitoba Boxing Commission
Winnipeg, Manitoba

We have audited the balance sheet of Manitoba Boxing Commission as at March 31, 2002 and the statement of income and surplus for the year then ended. These financial statements are the responsibility of the Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The organization derives revenue from commissions, licenses and permits, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenue over expense, assets and surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Knowles Warkentin & Bridges

September 9, 2002

MANITOBA BOXING COMMISSION
BALANCE SHEET
March 31, 2002

	2002	2001
ASSETS		
Current Assets		
Cash	$ 3,810	$ 1,058
Accounts receivable	844	531
Prepaid expenses	-	300
	$ 4,654	$ 1,889
LIABILITIES AND SURPLUS (DEFICIT)		
Current Liabilities		
Accounts payable	$ 6,181	$ 2,309
Performance bond deposits - Note 3	1,000	1,000
	7,181	3,309
Surplus (Deficit)	(2,527)	(1,420)
	$ 4,654	$ 1,889

MANITOBA BOXING COMMISSION
STATEMENT OF INCOME AND SURPLUS
Year ended March 31, 2002

	2002	2001
Revenue		
Commissions, licenses and permits	$ 6,552	$ 1,241
Grant - Province of Manitoba	29,100	19,500
Other income	35	300
	35,687	21,041
Operating expenses		
Administration	14,400	4,800
Bad debts	1,965	-
Card expenses - boxing	-	2,785
Card inspection rees	4,200	3,500
Conferences and meetings	3,250	6,139
Dues, fees and subscriptions	300	300
Honoraria	3,300	3,350
Office	605	501
Official development	1,511	-
Professional fees	5,223	1,500
Public relations	2,040	1,200
	36,794	24,075
Net income (loss)	(1,107)	(3,034)
Surplus (deficit), beginning of year	(1,420)	1,614
Surplus (deficit), end of year	($ 2,527)	($ 1,420)

MANITOBA BOXING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2002

1. Purpose of the Organization

The Manitoba Boxing Commission is a commission, pursuant to the Boxing Commission Act, Cap. B80, C.C.S.M., of the Province of Manitoba. The purpose of the organization is to regulate professional boxing matches in the Province of Manitoba in accordance with regulations as set down in the Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies for not-for-profit organizations.

3. Economic Dependence

The Commission is economically dependent on the Province Of Manitoba which provides funding through an annual grant.

4. Cash Flows

The statement of cash flows has not been prepared because it would not provide any additional useful information in understanding the cash flows for the year.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Centennial Centre Corporation

We have audited the statement of financial position of The Manitoba Centennial Centre Corporation as at March 31, 2002 and the statement of operations and surplus - general fund, the statement of cash flows – general fund and the statement of capital projects for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 16, 2002

MANITOBA CENTENNIAL CENTRE CORPORATION
STATEMENT OF FINANCIAL POSITION
As at March 31, 2002

ASSETS

	2002	2001
GENERAL FUND		
Current Assets		
Cash and bank	$ 77,670	$ 157,912
Term deposits - Province of Manitoba	170,190	17,190
Accounts receivable	290,535	307,827
Operating grant receivable - Province of Manitoba	-	167,400
Capital grants recoverable - Province of Manitoba	550,258	47,384
Inventory	18,883	17,242
Prepaid expenses	19,138	15,149
	1,126,674	730,104
Non-Current Assets		
Accounts receivable - Pension -Province of Manitoba (Note 6)	4,043,500	3,826,600
Accounts receivable - Vacation - Province of Manitoba (Note 5)	199,964	199,964
Accounts receivable - Severance - Province of Manitoba (Note 4)	307,561	307,561
	4,551,025	4,334,125
Total Assets	5,677,699	5,064,229
RESTRICTED FUNDS (note 7)		
Current Assets		
The Maitland Steinkopf Youth Fund		
Term deposit - Province of Manitoba	66,348	66,545
The Manitoba Centennial Foundation of the Future Fund		
Term deposit - Province of Manitoba	53,445	51,950
	119,793	118,495
	$ 5,797,492	$ 5,182,724

LIABILITIES AND FUNDS RETAINED

	2002	2001
GENERAL FUND		
Current Liabilities		
Accounts payable and accrued liabilities	$ 622,550	$ 419,405
Accrued vacation liability (Note 5)	180,099	182,868
Capital advances (Note 8)	183,793	1,955
Deferred income and rental deposits	14,700	59,864
	1,001,142	664,092
Non-Current Liabilities		
Pension liability (Note 6)	4,043,500	3,826,600
Accrued severance pay (Note 4)	337,721	333,074
Provision for deductible costs on insurance claims (Note 9)	15,000	15,000
	4,396,221	4,174,674
Total Liabilities	5,397,363	4,838,766
Surplus	280,336	225,463
	5,677,699	5,064,229
RESTRICTED FUNDS (Note 7)		
Funds Retained		
The Maitland Steinkopf Youth Fund	66,348	66,545
The Manitoba Centennial Foundation of the Future Fund	53,445	51,950
	119,793	118,495
	$ 5,797,492	$ 5,182,724

Commitments (Note 8)

Approved on Behalf of the Board

Director

Director

The accompanying notes are an integral component of these financial statements

MANITOBA CENTENNIAL CENTRE CORPORATION
STATEMENT OF OPERATIONS AND SURPLUS - GENERAL FUND
For the year ended March 31, 2002

	2002	2001
Revenues		
Rentals		
Concert Hall	$ 482,250	$ 397,355
Sustaining fees	154,554	129,168
Office space	30,427	23,982
Bar and concession sales	223,521	187,639
Administration fees	22,000	20,004
Parking fees	495,130	487,114
Checkroom fees	13,134	16,283
Program income	10,751	6,129
Investment income	3,469	5,511
Miscellaneous income	16,637	7,702
	1,451,873	1,280,887
Province of Manitoba grants		
Operating	2,691,500	2,439,800
Special grants	-	950,700
Pension (Note 6)	216,900	203,600
	2,908,400	3,594,100
Recoveries of expenditures	167,345	145,873
Total revenues, grant and recoveries	4,527,618	5,020,860
Expenditures		
Administration and general	538,284	473,591
Bar and concession operations	131,502	120,129
Building services and maintenance	1,069,921	1,135,929
Host services and special projects	200,734	195,639
Parking services	305,538	246,629
Pension (Note 6)	216,900	203,600
Security services	372,531	417,829
Stage operations	271,128	237,729
	3,106,538	3,031,075
Expenditures incurred on behalf of the Manitoba Museum of Man and Nature (Note 10)	1,366,207	1,508,288
Total expenditures - per schedule	4,472,745	4,539,363
Excess of revenues over expenditures	54,874	481,497
Surplus (deficit), beginning of year	225,463	(256,034)
Surplus, end of year	$ 280,337	$ 225,463

The accompanying notes are an integral component of these financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION
STATEMENT OF CASH FLOWS - GENERAL FUND
For the year ended March 31, 2002

	2002	2001
Cash provided by (used for)		
Cash flows from operating activities		
Excess of revenues over expenditures for the year	$ 54,873	$ 481,497
Changes in non-cash working capital items		
Accounts receivable	17,292	(263,101)
Operating grant receivable	167,400	-
Inventory	(1,641)	2,655
Prepaid expenses	(3,989)	449
Accounts payable and accrued liabilities	(129,960)	15,211
Deferred income and rental deposits	(45,164)	55,214
Accrued vacation liability	(2,769)	(11,406)
Accrued severance pay	4,647	(4,330)
	60,689	276,189
Cash flows from investing and financing activities		
Capital grants - Province of Manitoba	991,487	723,969
Capital expenditures	(979,418)	(975,585)
	12,069	(251,616)
Increase in cash and cash equivalents during the year	72,758	24,573
Cash and cash equivalents, beginning of year	175,102	150,529
Cash and cash equivalents, end of year	$ 247,860	$ 175,102
Represented by:		
Cash and bank	$ 77,670	$ 157,912
Term deposits - Province of Manitoba	170,190	17,190
	$ 247,860	$ 175,102

The accompanying notes are an integral component of these financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION
STATEMENT OF CAPITAL PROJECTS
For the year ended March 31, 2002

	2002	2001
Capital Expenditures		
Boiler	$ -	$ 17,943
Building envelope - Museum	30,162	754,873
CCTV System	22,353	-
Chilled Water	742,297	-
Concert Hall washrooms	1,165	-
Concert Hall refurbishment	82,530	57,532
Courtyard stairs and fountain	6,538	6,133
Electrical/mechanical maintenance	17,019	49,270
Equipment and furnishings	138,593	22,796
Exterior lighting	5,597	-
Handicap accessibility	-	22,231
Hardware/keys/doors	2,519	5,583
H.V.A.C. upgrade	25,941	20,420
Lamp & fixture retrofit	15,064	4,644
Landscaping	1,967	2,233
Parking Development	10,600	-
Parking Lots	7,140	-
Roof	49,309	-
Stage lighting	9,426	8,187
Stage and rigging	48,779	-
Stage sound	44,135	22,170
Systems motor controls	51,389	9,736
	1,312,523	1,003,751
Capital grants - Province of Manitoba		
Received during the year	(944,103)	(572,959)
Advances for next year	183,793	1,955
Advances from previous year	(1,955)	(385,363)
Recoverable	$ 550,258	$ 47,384

MANITOBA CENTENNIAL CENTRE CORPORATION
SCHEDULE OF EXPENDITURES
For the year ended March 31, 2002

	2002	2001
Administration and general		
Salaries and employee benefits	$ 375,011	$ 444,092
Temporary help	13,750	19,768
Insurance	36,393	35,705
Telephone and fax	17,320	15,345
Printing and stationery	13,973	7,713
Audit and legal	17,443	15,155
Other	17,963	40,869
Payroll service	8,381	8,771
Bad debts	133,945	-
Health and post secondary education tax levy	44,096	45,959
	678,275	633,377
Bar and concession operations		
Salaries and employee benefits	50,180	48,468
Cost of beverages sold	78,881	66,959
Other	2,441	4,702
	131,502	120,129
Building services and maintenance		
Salaries and employee benefits	1,084,333	1,183,260
Light, power and water	490,830	536,834
Heat	375,889	473,464
Repairs, maintenance and supplies	284,508	241,910
Other	9,340	311
	2,244,900	2,435,779
Host services and special projects		
Salaries and employee benefits	182,134	179,643
Other	18,600	15,996
	200,734	195,639
Parking services		
Salaries and employee benefits	104,553	106,260
Agency fees and expenditures	196,723	135,236
Other	4,262	5,133
	305,538	246,629
Pension (Note 6)	216,900	203,600
Security Services		
Salaries and employee benefits	406,945	457,284
Other	16,823	9,197
	423,768	466,481
Stage operations		
Salaries and employee benefits	243,045	209,686
Repairs, supplies and equipment	28,083	28,043
	271,128	237,729
Total Expenditures	4,472,745	4,539,363
Less: Expenditures incurred on behalf of the Manitoba Museum of Man and Nature (Note 10)	1,366,207	1,508,288
Net Expenditures	$ 3,106,538	$ 3,031,075

The accompanying notes are an integral component of these financial statements.

MANITOBA CENTENNIAL CENTRE CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31,2002

1. Nature of the Corporation's Operations

The [illegible]nnial Centre Corporation was established in 1968 for the development and management of the permanent arts centre in the City of Winnipeg as the principal memorial in the Province to the centennial anniversaries of the Confederation of Canada and the inclusion of Manitoba as a Province. Its aim and objectives are to maintain and enhance the properties and facilities available to organizations and individuals involved in various elements of the visual and performing arts.

2. Properties of the Centre

The Corporation oversees the properties of the Centre on behalf of the Province of Manitoba. At March 31, 2002 registered titles to these properties, being the Concert Hall, parkade, parking lots and other buildings, are held by the Province of Manitoba. These properties are made available at no direct charge to the Corporation. Costs incurred by the Province of Manitoba are accounted for by the Centre in the Statement of Capital Projects.

3. Accounting Policies

(a) The Corporation's financial statements have been prepared on a fund basis, using Canadian generally accepted accounting principles. The general fund is used to account for the operations of the Centre. The restricted funds, which are the Maitland Steinkopf Youth Fund and the Manitoba Centennial Foundation of the Future Fund, are described in note 7.

(b) Pension payments are recognized as operating expenditures as payments are made under provisions of The Manitoba Civil Service Superannuation Act. The provisions of this Act require the Corporation to contribute 50% of the pension payments being made to retired employees. In addition, a provision has been recorded in the accounts of the Corporation for current and past service obligations to the Civil Service Superannuation Fund.

(c) Investments are recorded at cost plus accrued interest.

(d) Inventory is valued at the lower of cost, using the first in first out method, and net realizable value.

4. Severance Pay Benefits

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees. The amount of this estimated liability is determined using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 23 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of $307,561 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998.

5. Vacation Pay Liability

In years prior to 2001, the Corporation recorded the estimated liability and the related expenditure for accumulated vacation pay benefits to its employees. In 2001, the Corporation was advised by the Province of Manitoba that the Province has accepted responsibility for the vacation pay liability accumulated to March 31, 1995 which amounts to $199,964. Accordingly, the Corporation recorded, in 2001, a receivable of $199,964 from the Province of Manitoba with retroactive restatement of prior periods. This receivable from the Province of Manitoba has no terms of repayment.

6. Pension Liability

The Corporation records the actuarial pension liability and the related pension expenditure in their financial statements. Based on an actuarial report dated December 31, 1998, the unfunded liability for the Corporation's employees, calculated on an indexed basis, amounted to $4,043,500 as at March 31, 2002 (2001 - $3,826,600). For the year ended March 31, 2002, the Corporation recorded a pension liability of $4,043,500 (2001 - $3,826,600) and the related pension expenditure of $216,900 (2001 - $203,600).

Since the Province of Manitoba is responsible for the pension liability and the related expenditure, the Corporation has recorded an amount receivable from Province of Manitoba of $4,043,500 (2001 - $3,826,600) and the related revenue of $216,900 (2001 - $203,600). This receivable from the Province of Manitoba has no terms of repayment.

7. Restricted Funds

Restricted Funds established and managed by the Corporation are as follows:

(a) The Maitland Steinkopf Youth Fund

In 1972, the Corporation established the Maitland Steinkopf Youth Fund with an original allocation of $25,000. The major purpose of this fund is to promote cultural opportunities for Manitoba youths at reasonable costs.

Summary of Transactions

	2002	2001
Investment income	$ 2,228	$ 3,558
Grant expenditures	2,425	2,425
Grant expenditures (over) under investment income	(197)	1,133
Funds retained, beginning of year	66,545	65,412
Funds retained, end of year	$ 66,348	$ 66,545

MANITOBA CENTENNIAL CENTRE CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the year ended March 31,2002

(b) The Manitoba Centennial Foundation of the Future Fund

In 1969, the Corporation established the Foundation of the Future Fund in recognition of Manitoba's centennial year. The terms of the Foundation's establishment provide that the Board of Directors of the Foundation will be composed of children born on six special dates in the year 1970. Based on the number of children born on these dates, the Corporation allocated $3,050 to the Fund.

Summary of Transactions

	2002	2001
Investment income	$ 1,795	$ 2,862
Grant expenditures	300	0
Grant expenditures under investment income	1,495	2,862
Funds retained, beginning of year	51,950	49,088
Funds retained, end of year	$ 53,445	$ 51,950

The Board of Directors of the Foundation have decided funds will be used toward an annual bursary program for those pursuing careers in the Arts. In addition, a plaque will be located in the Concert Hall recognizing the Centennial Babies and the recipients of the bursary awards.

8. Capital Advances and Commitments

The Corporation has contractual commitments of $207,703 (2001 - $109,127) to complete capital improvements. This amount is fully recoverable from the Province of Manitoba.

Capital funds in the amount of $183,793 (2001 - $1,955) were drawn in advance on projects awarded, but not completed by March 31, 2002.

9. Provision for Deductible Costs on Insurance Claims

The insurance program of the Corporation contains a deductible clause requiring the Corporation to pay the first $5,000 on any claim with a maximum of $15,000 in any one year. The Corporation has set aside a provision of $15,000 and, as long as the conditions of the insurance coverage are unchanged, it will be maintained at this level.

10. Grant of Service

The Manitoba Centennial Centre Corporation incurs expenditures such as cleaning, utilities and maintenance on behalf of the Manitoba Museum of Man and Nature. These expenditures amount to $1,366,207 for the year ending March 31, 2002 (2001 - $1,508,288)

11. Financial Instruments

The Corporation's financial instruments consist of cash, term deposits, accounts receivable and accounts payable. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

12. Economic Dependence

The Corporation is economically dependent on funding received from the Province of Manitoba.

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Deloitte & Touche

AUDITORS' REPORT

To the Members of
Manitoba Community Services Council Inc.

We have audited the balance sheet of Manitoba Community Services Council Inc. as at March 31, 2002 and the statements of financial activities and changes in net assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
May 2, 2002

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Balance Sheet

March 31, 2002

	2002	2001
ASSETS		
CURRENT		
Cash	$ 115,152	$ 352,758
Accounts receivable (Note 3)	186,258	196,833
Prepaid expenses	4,845	5,986
Current portion of long term deposit receipts (Note 5)	118,262	200,000
	424,517	755,577
CAPITAL ASSETS (Note 4)	30,990	35,401
LONG-TERM DEPOSIT RECEIPTS (Note 5)	433,395	305,895
	$ 888,902	$ 1,096,873
LIABILITIES		
CURRENT		
Allocations not yet paid	$ 502,255	$ 754,828
NET ASSETS		
Net assets invested in capital assets	30,990	35,401
Funds for future allocation	355,657	306,644
	386,647	342,045
	$ 888,902	$ 1,096,873

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Statement of Changes in Net Assets
Year Ended March 31, 2002

	Invested in Capital Assets	Funds for Future Allocation	**Total 2002**	Total 2001
BALANCE, BEGINNING OF YEAR	$ 35,401	$ 306,644	**$ 342,045**	$ 402,043
EXCESS (DEFICIENCY) OF REVENUE OVER ALLOCATIONS AND EXPENSES	(18,939)	63,541	**44,602**	(59,998)
INVESTED IN CAPITAL ASSETS	14,528	(14,528)	**-**	-
BALANCE, END OF YEAR	$ 30,990	$ 355,657	**$ 386,647**	$ 342,045

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Statement of Financial Activities

Year Ended March 31, 2002

	2002	2001
REVENUE		
Provincial funding (Note 6)	**$ 1,980,000**	$ 1,980,000
Interest	**43,916**	58,035
Allocations recovered	**15,000**	67,052
	2,038,916	2,105,087
ALLOCATIONS AND EXPENSES		
Accommodation and services	**31,619**	29,938
Administrative - Schedule 1	**42,136**	38,330
Allocations - Schedule 2	**1,706,734**	1,893,608
Amortization	**18,939**	14,442
Office and computer supplies	**12,290**	9,107
Salaries and benefits	**182,596**	179,660
	1,994,314	2,165,085
EXCESS (DEFICIENCY) OF REVENUE OVER ALLOCATIONS AND EXPENSES	**$ 44,602**	$ (59,998)

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Notes to the Financial Statements
March 31, 2002

1. INCORPORATION

Manitoba Community Services Council Inc. was incorporated under The Corporations Act of Manitoba on March 13, 1990 without share capital, created for the purpose of distributing bingo events and provincial funds to non-profit community organizations on behalf of the Province of Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

a) *Statement of cash flows*

A statement of cash flows has not been presented since information concerning changes in financial position is evident from the financial statements presented.

b) *Long-term deposit receipts*

Long-term deposit receipts are carried at cost.

c) *Capital assets*

Capital asset acquisitions are capitalized in the year of purchase at values equal to cost. Amortization is provided for on a straight-line basis at rates specified in Note 4.

d) *Financial instruments*

Financial risk
The financial risk is the risk to the Council's earnings that arises from fluctuations in interest rates and the degree of volatility of those rates. The Council does not use derivative instruments to reduce its exposure to interest rates.

Credit risk
Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Council. The Council limits credit risk by investing in investees that are considered to be high quality credits and by utilizing an internal investment policy.

3. ACCOUNTS RECEIVABLE

	2002	2001
Interest receivable	$ 14,546	$ 27,780
G.S.T. refund	6,712	4,053
Provincial funding receivable	165,000	165,000
	$ 186,258	$ 196,833

4. CAPITAL ASSETS

	2002			2001	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value	Rates
Leasehold improvements	$ 7,762	$ 3,106	$ 4,656	$ 6,210	Lease Term
Furniture, fixtures and equipment	21,577	7,086	14,491	18,806	20%
Computer equipment	50,833	38,990	11,843	10,385	30%
	$ 80,172	$ 49,182	$ 30,990	$ 35,401	

5. LONG-TERM DEPOSIT RECEIPTS

	2002	2001
9% Ontario Hydro Bond, maturing June 24, 2002	$ 100,000	$ 100,000
5.40% Royal Bank of Canada Bond, maturing April 7, 2003	81,615	81,615
8.75% Province of Ontario Bond, maturing April 22, 2003	17,578	17,578
5.8% Export Development Corp, maturing September 15, 2003	106,702	106,702
5.5% Manitoba Hydro Bond, maturing June 15, 2004	200,000	-
2.0% Manitoba Hydro Bond, maturing June 15, 2006	27,500	-
Royal Canadian Treasury Bill Fund	18,262	-
5.25% Manitoba Builder Bonds Series 4	-	200,000
	551,657	505,895
Less current portion	118,262	200,000
	$ 433,395	$ 305,895

6. PROVINCIAL FUNDING

Effective April 1, 1995, Manitoba Community Services Council Inc. (MCSC) renewed its five year agreement with the Province of Manitoba under which it will receive a share of the revenues of the Manitoba Lotteries Corporation to March 31, 2000. This revenue is to be used for distribution to not-for-profit community service organizations and Council's operating expenses. The renewal of this agreement is presently under discussion.

7. COMMITMENT

The Council has leased realty pursuant to a lease agreement, until March 31, 2005. Under the terms of the lease, the Council is responsible for base rent and its proportionate share of property taxes and operating costs of the building.

The minimum lease payments for the next three years are as follows:

2003	$ 11,576
2004	11,576
2005	11,576

8. BINGO HALL EARNINGS

The Council also allocates a certain number of bingo events to various organizations that it funds. Numerous community service organizations earned a total of $840,600 (2001 - $865,500) through participation in bingo events.

The funds received from bingos are paid directly by the Manitoba Lotteries Corporation to the above organizations. Therefore, these funds are not reflected on the statement of financial activities.

9. PENSION PLAN

The employees of the Council participate in the United Way Agencies Pension Plan, a multi-employer defined benefit pension plan. This plan, to which the Council contributed $5,977 (2001 - $5,910), is accounted for as a defined contribution plan.

Schedule 1

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Administrative Expenses

Year Ended March 31, 2002

	2002	2001
Bank charges	$ 578	$ 605
Courier	906	1,120
Meeting costs and volunteer travel	23,459	21,168
Miscellaneous office costs	4,312	5,226
Postage	1,170	2,119
Professional fees	3,098	2,934
Telephone	8,613	5,158
	$ 42,136	$ 38,330

Schedule 2

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Grant Allocations

Year Ended March 31, 2002

Aids Brandon Inc.	$ 6,000.00
Alma Community Club	$ 4,500.00
Al-Res-Tone Drop-In Centre, Reston	$20,000.00
Altona Junior Bison Baseball Club	$ 4,000.00
Angus McKay School Association Inc.	$10,000.00
Angusville & District Museum	$ 3,000.00
Arborg Seniors Citizens Club	$ 6,000.00
Association Des Residents De L'Acceuil Colombien (A.R.A.C.)	$ 3,000.00
Association for Community Living – Selkirk	$20,000.00
Association for Community Living – Steinbach	$20,000.00
Bacon Ridge Complex	$12,000.00
Bairdmore Advisory Council	$ 9,000.00
Binscarth Drop-in Centre Inc.	$ 3,000.00
Birch River Northern Neighbours	$ 4,000.00
Birdtail Valley Tennis Club, Inc.	$ 3,900.00
Blumenort Recreation Association Inc.	$ 2,000.00
Boissevain-Morton Recreation Commission	$ 6,000.00
Boy Scouts of Canada (Manitoba Council) 1st Lundar Group	$ 1,500.00
Boy Scouts of Canada (Manitoba Council) 1st Oakbank Scout Group	$ 1,500.00
Boy Scouts of Canada (Manitoba Council) 1st Pauingassi Scout Group	$ 7,000.00
Boy Scouts of Canada (Manitoba Council) 1st Pinawa Scout Group	$ 1,000.00
Boy Scouts of Canada (Manitoba Council)	$15,000.00
Brandon Seniors for Seniors co-op Inc.	$ 3,000.00
Canadian Council of the Blind- Manitoba Division	$14,000.00
Canadian National Institute for the Blind-Manitoba Division	$15,000.00
Canadian Red Cross Society – Manitoba Region	$ 6,000.00
Carrick Community Club, Inc.	$ 7,000.00
Carroll Memorial Hall Inc.	$ 5,500.00
Cartier Arena Artificial Ice Committee	$24,000.00
Child and Family Services – Winnipeg	$ 4,900.00
Circle of Life Thunderbird House	$14,000.00
Circle Square Ranch, Austin	$20,000.00
Clifton School Parent Advisory Council	$ 6,000.00
Club Simon Nivon, St. Leon	$ 2,000.00
College Pierre Elliot Trudeau Parent Advisory Council	$ 4,000.00
Conseil Consultatif-Parent Advisory Council, St. Malo School	$ 6,000.00
Cypress River Service Club	$ 3,500.00
D.A.S.C.H. Inc.	$ 7,000.00
Deloraine Golf Club, Inc.	$15,000.00
Deloraine Minor Baseball Association	$ 9,000.00
Dominion City Curling Club	$ 1,000.00
Dove Homes	$10,000.00
Dr. Jesse Saulteaux Resource Centre	$15,000.00
	$354,300.00

Schedule 2

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Grant Allocations

Year Ended March 31, 2002

Dufferin Agricultural Society	$ 2,000.00
Eastern Manitoba Square & Round Dance Association	$ 500.00
Ecole Belmont Parent Association	$ 9,000.00
Ecole Garden Grove School Parent Council	$ 7,000.00
Ecole Ile Des Chenes School Parent Council	$ 7,000.00
Ecole Christine Lesperance Parent Council (Ecole Lavallee)	$ 9,000.00
Ecole Prince Charles Parent Council	$11,000.00
Ecole St. Germaine Parent Advisory Council	$10,000.00
Edward Schreyer School Parent Advisory Council	$10,000.00
Elkhorn School Advisory Council	$ 3,000.00
Employment Projects of Winnipeg	$10,000.00
Eriksdale Parent Advisory Council	$10,000.00
Evergreen Regional Library – Gimli Branch	$ 5,000.00
Family Life Education Support & Wellness Centre Inc.	$ 1,500.00
Faraday School Parent Council	$12,000.00
Friedensfeld Community Centre, Inc.	$ 5,000.00
Garderie De Somerset, Inc.	$ 7,000.00
Gimli and District Lawn Bowling Association Inc.	$ 2,000.00
Gimli Recreation Authority	$15,000.00
Gladstone Swimming Pool Committee	$ 7,000.00
Glenelm School Parent Advisory Council	$ 4,000.00
Grandview & District Recreation Commission	$ 8,000.00
Grandview District Library Committee	$ 6,000.00
Great Falls District Recreation Association	$ 5,000.00
Grosvenor School Association	$ 6,000.00
Hamiota Pioneer Club Museum	$12,000.00
Hearthstone Community Group Inc.	$ 5,000.00
Help Centre (Helping East Lake People)	$ 1,000.00
Henderson Elementary School Parent Council	$ 6,400.00
Hnausa Camp Committee	$20,000.00
Hope Centre Inc.	$20,000.00
Hospice & Palliative Care Manitoba	$30,000.00
Ikwe-Widdjiitiwin Inc.	$ 9,000.00
Inwood Manor Inc.	$ 1,000.00
J.A. Cuddy School Parent Advisory Council	$ 6,000.00
J.R. Reid School Parent Council Playground Committee	$11,000.00
Juniper School Parent Council	$16,158.00
Killarney & District Food Bank	$ 5,000.00
Killarney Agricultural Society	$ 4,000.00
La Cooperative Du Comite Culturel De Ste. Anne	$ 2,000.00
La Riviere Recreation Association Playground Committee	$ 7,000.00
Laidlaw School Playground Revitalization Project	$ 9,000.00
Langruth Development Corporation	$ 4,000.00
	$340,558.00

Schedule 2

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Grant Allocations

Year Ended March 31, 2002

Lenswood Community Hall	$10,000.00
Lido Plage North Property Owner's Association	$ 4,000.00
Lions Prairie Manor	$ 6,000.00
Lord Nelson Parent Association	$12,000.00
Luxton School Parent Advisory Council	$12,000.00
Lynn Lake Friendship Centre	$13,000.00
MacDonald Youth Services	$20,000.00
MacGregor Austin Seniors Support Program	$ 4,000.00
Machray School Community Committee	$ 6,000.00
Manitoba Children's Museum Inc.	$ 4,500.00
Manitoba Conservatory of Music and Arts	$14,000.00
Manitoba Deaf Association	$ 3,000.00
Manitoba Drama Youth Festival – Manitoba Drama Educators Association	$ 3,000.00
Manitoba Interfaith Immigration Council Inc.	$10,000.00
Manitoba Metis Federation – The Pas	$ 6,000.00
McCreary Curling Club	$ 3,000.00
Midwest Parent Child Resource Centre	$ 5,000.00
Miniota Community Centre	$ 4,500.00
Minnedosa Community Conference Centre	$ 2,000.00
Minto School Parent Advisory Council	$ 6,000.00
Miriam Centre Inc.	$15,000.00
Morden Community Child Care Centre Inc.	$ 5,000.00
Morden Fire, Police Rink Committee	$ 5,000.00
Morden Services for Seniors	$ 1,000.00
Morris Riverview Golf & Country Club	$ 7,000.00
Ndinawemaaganag-Endaawaad, Inc.	$39,000.00
Neepawa District Palliative Care Service	$ 4,000.00
North West Regional Library	$30,000.00
Northern Aids Initiative Inc., Thompson	$10,000.00
Oak Lake & District Rink Board	$22,000.00
Oak River Community Association/Oak River Dodgers	$ 7,000.00
Osborne Village Cultural Centre/Gas Station Theatre	$ 5,000.00
Pine River Taras Shewchenko Hall	$ 5,000.00
Polonia Community Club, Inc.	$ 3,000.00
Poplarfield Community Centre Inc.	$12,000.00
Portage Industrial Exhibition Association	$ 2,000.00
Prairie Vision Arts Council	$12,500.00
Prendergast Centre Association	$18,000.00
Prince Edward Community School Association	$ 5,000.00
Pulford Community Living Services	$ 9,000.00
Rapid City Parents Group	$ 7,000.00
Rat River Recreation Commission	$ 1,000.00
Reston Memorial Theatre	$ 3,000.00
	$375,500.00

Schedule 2

MANITOBA COMMUNITY SERVICES COUNCIL INC.

Grant Allocations

Year Ended March 31, 2002

Riverdale Place Homes Inc.	$ 7,000.00
Riverside Day Care Inc.	$20,000.00
Riverview Curling Club, Inc.	$20,000.00
Rock Lake United Church Camp Inc.	$20,000.00
Rolling Dale Enterprises Inc.	$15,000.00
Rossburn Regional Library	$ 4,000.00
Russell Memorial Arena Commission	$ 7,500.00
Sandhill Golf and Country Club Inc.	$ 7,000.00
Sandilands Ski Club	$ 2,000.00
Sanford Recreation Committee, Inc.	$12,000.00
Selkirk & District Community Learning Centre	$ 9,000.00
Selkirk Youth – Pride	$ 1,500.00
Seniors Services of Banner County/Russell Senior Bus Transportation	$15,000.00
Sherwood Handivan	$10,000.00
Sherwood School Parent Council	$ 4,000.00
Shoal Lake School Advisory Council – Playground Committee	$ 4,000.00
Siglunes Community Club	$ 3,000.00
Silverton Community Centre	$ 2,500.00
Southeast Royals Gymnastic Club	$ 2,400.00
Spina Bifida & Hydrocephalus Association of Canada	$ 3,000.00
Sprague Chamber of Commerce Inc.	$ 9,000.00
Sprucedale Industries	$12,000.00
St. Adolphe Community Club	$25,000.00
St. Avila Home & School Association Inc.	$10,000.00
St. Laurent School Parent Advisory Council	$ 3,000.00
St. Pierre-Jolys Senior Services	$ 6,000.00
Stanley Knowles Children's Centre	$ 5,000.00
Ste. Agathe Community Development Inc.	$ 3,000.00
Steinbach Fitness Co-op Inc. "Steinbach Family Fitness"	$ 8,000.00
Stonewall Veterans Memorial Sports Complex (F.A.C.T.)	$11,000.00
Strathclair & District Theatre Committee Inc.	$10,000.00
Swan Lake Friendship Centre	$ 2,600.00
Swan River & District Community Resource Council, Inc.	$ 7,000.00
Swan River Adult Education Program	$ 4,000.00
Swan River Community Centre	$14,000.00
Swan River Golf and Country Club Inc.	$15,000.00
Swan Valley Crisis Centre	$30,000.00
Sweet Adelines – Assiniboine Chapter	$ 3,900.00
Tamarack Rehab Inc.	$ 4,856.00
The Salvation Army-Brandon Corps.	$ 5,010.00
Thomas Greenway Middle School Parent Advisory Council	$ 6,000.00
	$363,266.00

MANITOBA COMMUNITY SERVICES COUNCIL INC.
Grant Allocations
Year ended March 31, 2002

Ukrainian Folk Arts Centre & Museum Inc., Dauphin	$25,000.00
Ukrainian Women's Society of Lennard	$10,000.00
Urban Circle Training Centre Inc.	$10,000.00
Valley River Community Centre Inc.	$20,000.00
Valour Road Curling Club, Inc.	$12,000.00
Vita Friendship Centre Inc.	$ 3,000.00
Wahbung Abinoonjiiag Inc.	$ 6,000.00
Waterhen Community Council	$ 5,000.00
Wawanesa Wee Care Daycare Inc.	$ 7,000.00
Wellington School Parent Council	$ 5,900.00
West Kildonan Curling Club	$19,000.00
West Region Child & Family Services – Rolling River 1st Nation	$10,000.00
Westman Association for Terminal Care in Hospice (Watch)	$35,000.00
Westman Stock Car Club	$ 1,000.00
Wild Honey Children's Centre	$ 6,000.00
Winnipeg Beach Elementary School – Parent Advisory Council	$ 8,210.00
Winnipeg Inner City Youth Futures Fund Inc.	$30,000.00
Winnipeg River Resource Centre – Mrs. Lucci's Second Hand Store	$20,000.00
Youth for Christ Winnipeg Inc. – Camp Cedarwood	$20,000.00
YWCA of Thompson – Family Resource Centre	$20,000.00
	$273,110.00
TOTAL 2002	**$1,706,734.00**

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Crop Insurance Corporation

We have audited the balance sheet of the Manitoba Crop Insurance Corporation as at March 31, 2002, the statement of operations and funds retained for the Crop Insurance program, the statement of operations and funds retained for the Hail Insurance program, the statement of cash flows and the statements of revenue and expenditure for the other agriculture related programs administered by the Corporation on behalf of the Government of the Province of Manitoba, being statements 1-4. These financial statements are the responsibility of the Corporation's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows, and the revenue and expenditure transactions of the programs administered by the Corporation on behalf of the Government of the Province of Manitoba, for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 26, 2002

MANITOBA CROP INSURANCE CORPORATION

BALANCE SHEET

as at March 31, 2002

	Crop Insurance Program	Hail Insurance Program	Gross Revenue Insurance Plan (Note 4(A))	Other Programs (Note 4)	2002 Total	2001 Total
Assets						
Cash	$ 3,133,973	-	-	-	$ 3,133,973	$ -
Short-term investments (Note 3(B))	265,746,789	19,847,941	-	279,600	285,874,330	323,520,617
Accounts receivable (Note 5)	6,051,140	672,700	14,697	61,332	6,799,869	106,584,968
Prepaid expenses	107,902	-	-	-	107,902	116,773
Interprogram receivable	119,444	-	3,053,399	433,676	3,606,519	483,602
	275,159,248	20,520,641	3,068,096	774,608	299,522,593	430,705,960
Capital assets (Note 6)	950,858	-	-	-	950,858	1,182,844
	$ 276,110,106	20,520,641	3,068,096	774,608	$ 300,473,451	$ 431,888,804
Liabilities and funds retained						
Bank indebtedness	$ -	-	-	-	$ -	$ 952,298
Reinsurance premiums payable	1,175,272	-	-	-	1,175,272	26,208
Indemnities payable (Note 7)	2,521,281	-	-	140,098	2,661,379	96,222,317
Accounts payable and accrued liabilities	2,197,447	-	35,065	634,510	2,867,022	2,737,484
Interprogram payable	3,487,075	119,444	-	-	3,606,519	483,602
Excess of revenue over expenditure	-	-	3,033,031	-	3,033,031	23,343,775
	9,381,075	119,444	3,068,096	774,608	13,343,223	123,765,684
Deferred revenue (Note 8)	950,858	-	-	-	950,858	1,182,844
Funds retained	265,778,173	20,401,197	-	-	286,179,370	306,940,276
	$ 276,110,106	20,520,641	3,068,096	774,608	$ 300,473,451	$ 431,888,804

CROP INSURANCE PROGRAM

STATEMENT OF OPERATIONS AND FUNDS RETAINED

for the year ended March 31, 2002

	2002	2001
Revenue:		
Premiums		
Insured producers	$ 19,941,473	$ 21,490,262
Government of Canada (Note 3(F))	29,356,699	32,939,004
Province of Manitoba (Note 3(F))	22,894,712	25,541,046
	72,192,884	79,970,312
Less premiums ceded (Note 9)		
Reinsurance Fund of Canada	360,964	399,911
Reinsurance Fund of Manitoba	360,964	399,911
Excess of loss reinsurance	6,731,557	-
	7,453,485	799,822
Net premiums	64,739,399	79,170,490
Interest	12,207,836	14,772,278
Total revenue	76,947,235	93,942,768
Expenditure:		
Indemnities	97,346,945	36,291,493
Doubtful accounts (recoveries)	33,144	(8,031)
Administrative expenses - Schedule 1	9,995,769	9,221,090
Administrative expenses recovered from		
Government of Canada (Note 3(G))	(4,090,444)	(3,692,473)
Province of Manitoba (Note 3(G))	(4,095,659)	(3,697,864)
Insured producers (Note 3(G))	(1,809,666)	(1,830,753)
Net expenditure	97,380,089	36,283,462
Income (loss) for the year	(20,432,854)	57,659,306
Funds retained, beginning of year	286,211,027	228,551,721
Funds retained, end of year	$ 265,778,173	$ 286,211,027

MANITOBA CROP INSURANCE CORPORATION

HAIL INSURANCE PROGRAM

STATEMENT OF OPERATIONS AND FUNDS RETAINED

for the year ended March 31, 2002

	2002	2001
Revenue:		
Premiums, net of discounts	$ 7,131,002	$ 7,754,147
Less premiums ceded for reinsurance (Note 10)	566,480	615,779
Net premiums	6,564,522	7,138,368
Reinsurance recoveries (Note 10)	-	2,352,201
Interest and surcharges	899,449	1,190,524
Total revenue	7,463,971	10,681,093
Expenditure:		
Indemnities	6,324,512	9,737,615
Administrative expenses - Schedule 1	1,502,650	1,773,399
Doubtful accounts (recoveries)	(35,139)	(20,057)
Total expenditure	7,792,023	11,490,957
Income (loss) for the year	(328,052)	(809,864)
Funds retained, beginning of year	20,729,249	21,539,113
Funds retained, end of year	$ 20,401,197	$ 20,729,249

MANITOBA CROP INSURANCE CORPORATION
STATEMENT OF CASH FLOWS

for the year ended March 31, 2002

	Crop Insurance Program	Hail Insurance Program	2002 Total	2001 Total
Cash provided by (used for)				
Operating activities:				
Income (loss) for the year				
Income (loss) before interest revenue	$ (32,640,690)	(1,227,501)	$ (33,868,191)	$ 40,886,640
Interest revenue	12,207,836	899,449	13,107,285	15,962,802
	(20,432,854)	(328,052)	(20,760,906)	56,849,442
Items not involving cash				
Changes in allowance for doubtful accounts	12,325	(33,904)	(21,579)	(80,200)
Amortization of capital assets	397,011	-	397,011	420,031
Changes in:				
Accounts receivable	1,204,864	212,170	1,417,034	(846,332)
Interest receivable	4,612,506	370,062	4,982,568	(1,825,034)
Prepaid expenses	8,871	-	8,871	(6,464)
Interprogram receivable/payable	3,845,295	122,413	3,967,708	(738,457)
Reinsurance premiums payable	1,149,064	-	1,149,064	(12,415)
Indemnities payable	(347,722)	(1,285)	(349,007)	1,227,258
Accounts payable and accrued liabilities	(328,877)	-	(328,877)	(65,986)
Cash provided by (used for) operating activities	(9,879,517)	341,404	(9,538,113)	54,921,843
Investing activities:				
Sale (purchase) of short-term investments	29,687,312	4,052,775	33,740,087	(45,113,115)
Purchase of capital assets	(165,025)	-	(165,025)	(102,141)
Cash provided by (used for) investing activities	29,522,287	4,052,775	33,575,062	(45,215,256)
Financing activities:				
Deferred revenue	(231,986)	-	(231,986)	(317,890)
Cash used for financing activities	(231,986)	-	(231,986)	(317,890)
Net increase in cash and short-term investments	19,410,784	4,394,179	23,804,963	9,388,697
Cash and cash equivalents, beginning of year	15,389,411	3,058,120	18,447,531	9,058,834
Cash and cash equivalents, end of year	$ 34,800,195	7,452,299	$ 42,252,494	$ 18,447,531
Cash and cash equivalents comprised of the following:				
Short-term investments	$ 265,746,789	19,847,941	$ 285,594,730	$ 299,616,125
Short-term investments with terms greater than 90 days	234,080,567	12,395,642	246,476,209	280,216,296
Short-term investments with terms of 90 days or less	31,666,222	7,452,299	39,118,521	19,399,829
Cash (bank indebtedness)	3,133,973	-	3,133,973	(952,298)
	$ 34,800,195	7,452,299	$ 42,252,494	$ 18,447,531

MANITOBA CROP INSURANCE CORPORATION

Statement 1

REVENUE PROTECTION - GROSS REVENUE INSURANCE PLAN (Note 4(A))

STATEMENT OF REVENUE AND EXPENDITURE

for the year ended March 31 ,2002

	2002	2001
Revenue:		
Interest	$ 550,013	$ 1,267,616
Expenditure:		
Indemnities, prior years	-	211,488
Doubtful accounts (recoveries)	(57,316)	(9,945)
Administrative expenses - Schedule 1	16,464	16,652
Administrative expenses recovered from		
Government of Canada	(8,232)	(8,027)
Province of Manitoba	(8,232)	(8,625)
Net expenditure (recoveries)	(57,316)	201,543
Excess of revenue over expenditure	607,329	1,066,073
Excess of revenue over expenditure, beginning of year	23,343,775	22,277,702
Refunds to participants, during the year	20,918,073	-
Excess of revenue over expenditure, end of year	$ 3,033,031	$ 23,343,775

MANITOBA CROP INSURANCE CORPORATION

Statement 2

WILDLIFE DAMAGE COMPENSATION PROGRAM (Note 4(B))

STATEMENT OF REVENUE AND EXPENDITURE

for the year ended March 31, 2002

	2002	2001
Revenue:		
Recovery of expenditures		
Government of Canada	$ 598,198	$ 1,132,013
Province of Manitoba	834,072	1,576,159
Total revenue	$ 1,432,270	$ 2,708,172
Expenditure:		
Indemnities	$ 1,179,373	$ 2,220,729
Administrative expenses		
Adjusters' wages, benefits and expenses	222,053	450,477
Audit fees and legal	14,001	6,080
Other administrative expenses	16,843	30,886
	252,897	487,443
Total expenditure	$ 1,432,270	$ 2,708,172

Statement 3

MANITOBA MANAGEMENT PLUS PROGRAM (Note 4(C))

STATEMENT OF REVENUE AND EXPENDITURE

for the year ended March 31, 2002

		2002		2001
Revenue:				
Recovery of expenditures				
Manitoba Rural Adaptation Council Inc.	$	21,349	$	75,468
Expenditure:				
Administrative expenses	$	21,349	$	75,468

Statement 4

MANITOBA FARM DISASTER ASSISTANCE PROGRAM (NOTE 4(D))
CANADA-MANITOBA ADJUSTMENT PROGRAM (NOTE 4(D))
CANADA-MANITOBA ADJUSTMENT PROGRAM 2 (NOTE 4(D))
STATEMENT OF REVENUE AND EXPENDITURE

for the year ended March 31, 2002

	Manitoba Farm Disaster Assistance Program 2002	Manitoba Farm Disaster Assistance Program 2001	Canada-Manitoba Adjustment Program 2002	Canada-Manitoba Adjustment Program 2001	Canada-Manitoba Adjustment Program 2 2002	Canada-Manitoba Adjustment Program 2 2001
Revenue:						
Recovery (repayment) of expenditures						
Government of Canada	$ -	$ -	$ -	$ -	$ -	$ 55,200,000
Province of Manitoba	4,017	(213,573)	-	-	-	36,800,000
Total recovery (repayment)	4,017	(213,573)	-	-	-	92,000,000
Interest	-	-	17,357	708,956	464,006	-
Total revenue (repayment)	$ 4,017	$ (213,573)	$ 17,357	$ 708,956	$ 464,006	$ 92,000,000
Expenditure:						
Program payments (recoveries)	$ -	$ (238,608)	$ (286,984)	$ 701,780	$ 352,913	$ 91,900,000
Doubtful accounts	(9,649)	16,437	5,465	7,176	345	-
Administrative expenses	13,666	8,598	332	-	16,565	100,000
Refund of excess interest to contributors	-	-	298,544	-	94,183	-
Total expenditure (recoveries)	$ 4,017	$ (213,573)	$ 17,357	$ 708,956	$ 464,006	$ 92,000,000

MANITOBA CROP INSURANCE CORPORATION

Schedule 1

SCHEDULE OF ADMINISTRATIVE EXPENSES

for the year ended March 31, 2002

	2002	2001
Adjusters' wages, benefits and expenses	$ 3,224,765	$ 2,890,121
Advertising	113,437	115,326
Amortization expense	397,011	420,031
Appeal Tribunal	16,804	18,616
Audit fees and legal	114,350	126,119
Directors' remuneration and expenses	59,331	61,279
Furniture and equipment	46,679	37,761
Information technology	426,251	432,945
Office rental and utilities	555,353	555,123
Other administrative expenses	283,972	276,295
Other administrative recoveries	(138,622)	(119,413)
Postage	118,616	104,942
Printing, stationery and office supplies	182,648	166,922
Salaries and employee benefits	5,665,818	5,501,782
Telephone	129,057	125,514
Travel and automobile expenses	319,413	297,778
Total administrative expenses	$ 11,514,883	$ 11,011,141
Administrative expenses allocated to:		
Crop Insurance Program	$ 9,995,769	$ 9,221,090
Gross Revenue Insurance Plan	16,464	16,652
Hail Insurance Program	1,502,650	1,773,399
Total administrative expenses	$ 11,514,883	$ 11,011,141

NOTES TO FINANCIAL STATEMENTS

March 31, 2002

1. Authority

The Manitoba Crop Insurance Corporation was incorporated under a specific Statute of the Province of Manitoba, and operates under the authority of The Crop Insurance Act, Chapter C310 in the Continuing Consolidation of the Statutes of Manitoba.

2. Basis of Reporting

The financial statements of the Corporation are in such form as prescribed by Section 13 of The Crop Insurance Act, and are presented in accordance with Canadian generally accepted accounting principles.

3. Significant Accounting Policies

(A) Programs

Under the provisions of its Act and regulations, the Corporation operates crop and hail insurance programs for Manitoba farmers.

The Corporation is also responsible for the administration of various agriculture related programs, including the Revenue Protection component of the Gross Revenue Insurance Plan and the Wildlife Damage Compensation Program, on behalf of the Government of Canada and the Province of Manitoba.

For financial accounting purposes, all programs are regarded as separate operations and are accounted for separately.

(B) Short-Term Investments

Short-term investments are carried at cost, which approximates market value. Funds available for short-term investment are invested with the Province of Manitoba, in accordance with Section 20(8) of The Crop Insurance Act.

(C) Capital Assets and Amortization

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Furniture and Equipment	10 years
Computer Hardware	4 years
Computer Software	4 years
Major Application Development	8 years
Leasehold Improvements	Remaining term of the lease

(D) Pensions

Effective April 1, 1998, the Corporation began matching employees' current pension contributions to the Civil Service Superannuation Plan. As a matching employer, the Corporation discharges its pension liability on a current basis and, therefore, has no additional pension obligation.

(E) **Vacation and Severance Pay**

Employees of the Corporation are entitled to vacation and severance pay in accordance with the terms of the Collective Agreements and Corporation policy. The liability for vacation and severance pay is recorded based on the Corporation's best estimates.

(F) **Premiums and Government Contributions**

The Corporation recognizes as revenue all premiums earned on policies in force during the year. The insurance premium rates are calculated annually by crop and rating area and are based on a 25-year average of historical loss experience adjusted for the program's current level of benefits. Premium rates are adjusted annually to maintain adequate reserves over time. This is done to ensure the financial self-sustainability of the program.

Agreements between the Government of Canada and the Province of Manitoba provide for the cost sharing of the insurance premiums under the Crop Insurance Program. The insurance premiums for coverage of 50% of the insureds' probable yields are shared between the Government of Canada (60%) and the Province of Manitoba (40%). Premiums for insurance coverage above the 50% level are shared between the insureds (50%), the Government of Canada (25%) and the Province of Manitoba (25%).

(G) **Administrative Expenses**

The agreement relating to the Crop Insurance Program, referred to in Section (F) of this note, stipulates that administrative expenses, net of any administrative revenues, will be shared equally by the Government of Canada and the Province of Manitoba. Administrative revenues include a per acre administrative fee shown as a recovery from insured producers. Administrative expenses relating to the Hail Insurance Program are recovered from the insureds.

Identifiable administrative expenses for all of the programs administered by the Corporation are charged directly to the specific program. Where direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by the Corporation's Board of Directors.

4. Other Programs

(A) Statement 1

Effective January 1991, the Corporation assumed responsibility for the administration of the agreement between the Government of Canada and the Province of Manitoba for the Revenue Protection component of the Gross Revenue Insurance Plan (GRIP) for crops produced in Manitoba.

For the year ended March 31, 1993 and subsequent years, the GRIP premiums were shared between insured producers (33.33%), the Government of Canada (41.67%), and the Province of Manitoba (25%).

The administrative expenses incurred by the Corporation to administer GRIP are shared equally by the Government of Canada and the Province of Manitoba.

The Government of Canada and the Province of Manitoba terminated GRIP at the end of the 1995 crop year. In 1997, $47,491,745 or 75% of the March 31, 1996 excess of revenue over expenditure was distributed to the participants according to their respective premium contributions. The balance was held, earning interest, until all outstanding issues relating to GRIP were finalized.

During the year the final distribution was made to participants as follows:

	Principal	Interest	Total
Producers	$ 5,666,356	$ 2,134,439	$ 7,800,795
Government of Canada*	7,082,570		7,082,570
Province of Manitoba	4,249,202	1,785,506	6,034,708
Totals	$ 16,998,128	$ 3,919,945	$ 20,918,073

* The interest on the federal share of the excess revenue over expenditure has been retained at March 31, 2002 pending the completion of an agreement between the Government of Canada and the Province of Manitoba.

(B) **Statement 2**

The Corporation administers the Wildlife Damage Compensation Program that was established to compensate producers for 100% of damaged agricultural crops, products and domestic livestock caused by big game, waterfowl or livestock predation. The Government of Canada contributes 40% of losses and 50% of administrative expenses. The Province of Manitoba contributes 60% of losses and 50% of administrative expenses.

(C) **Statement 3**

Effective June 1993, the Corporation assumed responsibility for the administration of the Manitoba Management Plus Program. The program was established to provide producers with crop management data to assist them in making management decisions regarding their farm operations. The administrative expenses incurred for this program are recovered from the Manitoba Rural Adaptation Council Inc.

(D) **Statement 4**

Manitoba Farm Disaster Assistance Program (MFDAP)

Commencing June 1999, the Corporation assumed responsibility for the administration of the Manitoba Farm Disaster Assistance Program (MFDAP). This program was introduced to help producers affected by the excess moisture conditions which impaired seeding and damaged forage fields and pastures in the spring of 1999. The program covered unseeded land, forage restoration, hay production shortfall and custom seeding. Program funding of $70.2 million was provided by the Province of Manitoba.

Canada-Manitoba Adjustment Program (CMAP)

Effective March 2000, the Corporation assumed responsibility for the administration of the Canada-Manitoba Adjustment Program (CMAP) on behalf of the Government of Canada and the Province of Manitoba. This program provided producers of grains, oilseeds and special crops with a one-time payment to assist them as they adjust to the elimination of transportation subsidies during a period of low prices.

Assistance of over $100 million was provided through this program. This amount, which includes administrative expenses, is cost shared by the Government of Canada (60%) and the Province of Manitoba (40%). The interest earned on invested funds was used partly to make additional payments to new producers, with the balance to be repaid to the Government of Canada and the Province of Manitoba according to the timing of their respective contributions.

Canada-Manitoba Adjustment Program 2 (CMAP 2)

Effective March 2001, the Corporation assumed responsibility for the administration of the Canada-Manitoba Adjustment Program 2. This program was introduced to help Manitoba producers by lessening the impact of the farm income crisis in the grains, oilseeds and special crop sectors.

Assistance of over $92 million was provided through this program. This amount, which includes administrative expenses, is being cost shared by the Government of Canada (60%) and the Province of Manitoba (40%). Interest earned on invested funds was used partly to make additional payments to producers with the balance to be repaid to the Government of Canada and the Province of Manitoba according to their respective contributions.

5. Accounts Receivable

The accounts receivable as of March 31, 2002 consist of the following:

	March 31, 2002					March 31, 2001
	Crop Insurance Program	Hail Insurance Program	Gross Revenue Insurance Plan	Other Programs	Total	Total*
Insureds	$ 1,427,282	353,678	940	18,467	$ 1,800,367	$ 2,007,902
Government of Canada	597,652	-	13,173	26,932	637,757	57,069,596
Province of Manitoba	967,113	-	584	-	967,697	38,833,005
Accrued Interest	3,008,684	188,057	-	973	3,197,714	8,459,737
Other	50,409	130,965	-	14,960	196,334	214,728
	$ 6,051,140	672,700	14,697	61,332	$ 6,799,869	$ 106,584,968

* Included in Other Programs for the year ended March 31, 2001 were accounts receivable of $92,000,000 relating to the CMAP 2 program.

6. Capital Assets

	March 31, 2002			March 31, 2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and Equipment	$ 235,160	83,406	$ 151,754	$ 110,165
Computer Hardware	395,503	273,492	122,011	96,858
Computer Software	74,881	67,434	7,447	11,902
Major Application Development	2,907,419	2,363,506	543,913	825,064
Leasehold Improvements	308,517	182,784	125,733	138,855
	$ 3,921,480	2,970,622	$ 950,858	$ 1,182,844

7. Indemnities Payable

Indemnities payable for the Crop Insurance Program of $2,521,281 (2001 - $2,869,003) provide for indemnity payments relating to the 2001 crop year. This amount includes an estimate of $1,260,000 (2001 - $1,930,000), which represents the liability for unpaid claims and the loss of crop value due to the over-winter deterioration of unharvested crops.

Indemnities payable for Other Programs of $140,098 (2001 - $93,352,029) include a provision of $115,000 (2001 - $855,778) for the Wildlife Damage Compensation Program.

8. Deferred Revenue

Deferred revenue represents administrative subsidies provided equally by the Government of Canada and the Province of Manitoba and is used to acquire capital assets. Deferred revenue is recognized as revenue when amortization is recorded on capital assets.

9. Reinsurance – Crop Insurance Program

In accordance with the terms of a reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. The Corporation pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba, and to the Crop Reinsurance Fund of Manitoba, based on premiums collected plus the matching contributions paid by the Government of Canada and the Province of Manitoba. When indemnities are in excess of the funds retained by the Corporation and certain other conditions are met, transfers are made from the Crop Reinsurance Fund accounts to the Corporation. Interest is neither credited nor charged to the Funds by the Government of Canada or the Province of Manitoba.

	Reinsurance Fund of Canada for Manitoba		Reinsurance Fund of Manitoba	
	2002	2001	2002	2001
Opening surplus (deficit)	$ (2,039,958)	$ (2,446,370)	$ 20,637,985	$ 20,231,573
Current year premium contributions (net) *	367,147	406,412	367,147	406,412
Closing surplus (deficit)	$ (1,672,811)	$ (2,039,958)	$ 21,005,132	$ 20,637,985

* Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts.

The Corporation obtained private reinsurance for the 2001 Crop Insurance Program in addition to what is covered by the reinsurance agreement between the Government of Canada and Province of Manitoba. This new agreement provided for the 35 reinsuring companies to assume approximately 75% of losses, including loss adjustment expenses, from 15% to 25% of the Crop Insurance coverage. Reinsurance premiums were $6,731,557. There were no reinsurance recoveries in 2001.

10. Reinsurance – Hail Insurance Program

In May 1999, the Corporation entered into a three-year reinsurance agreement for the Hail Insurance Program. This agreement provides for the 16 reinsuring companies to assume hail insurance losses, including loss adjustment expenses, from 100% to 175% of gross premium. Reinsurance premiums were $566,480 (2001 - $615,779). There were no reinsurance recoveries in 2001 (2000 - $2,352,201).

11. Lease Agreements

The Corporation has entered into long-term lease agreements. The minimum payments under these leases are as follows:

Year Ending March 31 st	Lease Agreements Amounts
2003	$ 477,232
2004	411,561
2005	365,459
2006	307,459
2007	265,326
	$ 1,827,037
2008 and beyond	125,915
	$ 1,952,952

12. Contingencies

Various legal actions for additional indemnity payments and coverages have been commenced by producers against the Corporation. The outcome of these claims cannot be determined at this time.

13. Actuarial Review

An actuarial review of the 1998 Crop Insurance Program was completed by Tillinghast, consulting actuaries, in January 1998. The actuarial report concludes that the methodologies used by the Corporation in establishing the probable yields of the crops covered by the Program meet the requirements of the Federal Crop Insurance Regulations. The report also concludes that the premium rate methodologies are actuarially sound, are sufficient to meet expected claim costs, and include a provision for adverse deviations from expected results.

A comprehensive actuarial review is completed every five years with any new programs or program changes being reviewed annually.

14. Related -Party Transactions

The Corporation is related in terms of common ownership to all Province of Manitoba-created departments, agencies and Crown corporations. The Corporation enters into transactions with these entities in the normal course of business.

Interest earned on investments held with the Province of Manitoba amounted to $14.0 million (2001 - $17.7 million). Included in accounts receivable (Note 5) is $3.2 million (2001 - $8.5 million) of accrued interest related to investments held with the Province of Manitoba.

15. Subsequent Events

In April 2002, $2,977,366, which represents the balance of the Federal Government's share of the interest earned on the Gross Revenue Insurance Plan (GRIP) excess of revenue over expenditure, was distributed to the Food Development Centre in accordance with the Canada-Manitoba Agreement for the Retention of Interest.

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June 7, 2002

Auditors' Report

To the Directors of
Manitoba Development Corporation

We have audited the balance sheet of **Manitoba Development Corporation** as at March 31, 2002 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.

Manitoba Development Corporation

Balance Sheet

As at March 31, 2002

	2002 $	2001 $
Assets		
Current assets		
Cash	409,519	72,940
Term deposits - Province of Manitoba	3,073,166	3,777,142
Accounts receivable - other	2,599	67,678
	3,485,284	3,917,760
Assets managed for the Province of Manitoba under Part II		
Cash on hand held in trust	1,077,087	316,700
Loans receivable (note 2)	59,798,379	45,726,653
Equity investments (note 3)	5,378,135	686,000
	66,253,601	46,729,353
	69,738,885	50,647,113
Liabilities and Equity		
Current liabilities		
Accounts payable - Part I	227,554	199,694
Long-term liabilities		
Accrued pension liabilities	-	538,995
Funds provided by the Province of Manitoba under Part II	66,253,601	46,729,353
	66,481,155	47,468,042
Equity		
Share capital		
Authorized and issued 100 shares at $10 per share	1,000	1,000
Retained earnings	3,256,730	3,178,071
	3,257,730	3,179,071
	69,738,885	50,647,113

Approved by the Board of Directors

Director

Director

Manitoba Development Corporation

Statement of Income and Retained Earnings

For the year ended March 31, 2002

	2002 $	2001 $
Income from Part I		
Interest	149,075	249,947
Expenses under Part I		
Administration	55,269	48,673
Pension benefit costs	15,147	41,044
	70,416	89,717
	78,659	160,230
Income from Part II		
Interest - loans receivable	2,099,043	2,136,378
Pro-rata share of partnership earnings (losses)	2,543,043	(2,397,432)
Recovery of Part II expenses from (repayment of Part II income to) the Province of Manitoba		
Increase (decrease) in allowance for loan forgiveness	1,688,111	(2,367,518)
Increase in allowance for doubtful accounts	131,264	3,726,678
Increase (decrease) in provision for decline in value of investments	1,465,006	(64,668)
	7,926,467	1,033,438
Expenses under Part II		
Increase (decrease) in allowance for loan forgiveness	1,688,111	(2,367,518)
Increase in allowance for doubtful accounts	131,264	3,726,678
Increase (decrease) in provision for decline in value of investments	1,465,006	(64,668)
Repayment of Part II interest on loan receivable to the Province of Manitoba	2,099,043	2,136,378
Provision for repayment (recovery) of pro-rata share of partnership earnings (losses)	2,543,043	(2,397,432)
	7,926,467	1,033,438
	-	-
Net income for the year	78,659	160,230
Retained earnings - Beginning of year	3,178,071	3,017,841
Retained earnings - End of year	3,256,730	3,178,071

Manitoba Development Corporation

Statement of Cash Flows

For the year ended March 31, 2002

	2002 $	2001 $
Provided by (used in) Part I activities		
Operating activities		
Net income for the year	78,659	94,286
Changes in operating assets and liabilities		
Accounts receivable		
Province of Manitoba	-	380,744
Other	65,079	3,959
Accounts payable	27,860	(22,837)
Accrued pension liabilities	(538,995)	(8,255)
Net cash flow from Part I activities, carried forward	(367,397)	447,897

Manitoba Development Corporation

Statement of Cash Flows *...continued*

For the year ended March 31, 2002

	2002 $	2001 $
Net cash flow from Part I activities, brought forward	(367,397)	447,897
Provided by (used in) Part II activities		
Loans receivable		
Principal repayments	11,841,060	4,864,960
Loans issued	(27,090,993)	(7,499,324)
Increase in accrued interest receivable	(641,168)	(724,405)
	(15,891,101)	(3,358,769)
Equity investments		
Investments made	(3,647,011)	(526,945)
Redemptions	32,913	12,195
	(3,614,098)	(514,750)
	(19,505,199)	(3,873,519)
Increase (decrease) in cash on hand held in trust	(760,387)	541,624
Increase in accounts receivable	-	450,000
Funds provided by the Province of Manitoba	20,265,586	2,881,895
Net cash flow from Part II activities	-	-
Net increase (decrease) in cash balance during the year	(367,397)	447,897
Cash balance - Beginning of year	3,850,082	3,402,185
Cash balance - End of year	3,482,685	3,850,082
Cash balance consists of the following		
Cash on hand	409,519	72,940
Term deposits - Province of Manitoba	3,073,166	3,777,142
	3,482,685	3,850,082

1 Significant accounting policies

Nature of operations and economic dependence

The Manitoba Development Corporation (the Corporation) provides loans and guarantees under Part I and Part II of the Development Corporation Act. The activities under Part I and Part II are accounted for separately. Part I activities are undertaken at the initiative of the Corporation, while Part II activities are at the direction of the Province of Manitoba. The Corporation's lending operations under Part I were suspended effective November 15, 1977 except at the direction of the Province of Manitoba.

Equity investments under Part II

The Corporation's equity investments related to share capital investments are recorded at cost. The Corporation's investments in the Vision Capital Fund, the Manitoba Capital Fund, the Manitoba Science and Technology Fund, the Renaissance Capital Fund and the Western Life Sciences Venture Fund LLP are accounted for using the equity method of accounting. These investments were originally recorded at cost and the carrying value is adjusted thereafter to include the Corporation's pro rata share of post acquisition earnings for these investments. Such adjustments are correspondingly reflected in the balance sheet caption "Funds provided by the Province of Manitoba under Part II."

Pension plan

Past employees of the Corporation were not members of the Civil Service of the Province of Manitoba but they contributed to, and are pensionable under the Civil Service Superannuation Fund. In accordance with the provision of the Manitoba Civil Service Superannuation Act, the Corporation contributed 50% of the pension paid to retired employees. The current pension expense was determined on the basis of an actuarial valuation. Payments to pensioners are charged against the liability account.

During the year, the Corporation, on the basis of an actuarial valuation, repaid its accrued pension liabilities by making a lump sum payment to the Civil Service Superannuation Fund.

Operating losses

Losses under Part I and under Part II of the Corporation are the responsibility of the Province and are charged directly against advances received from the Province.

Cash

For the purpose of the statement of cash flows, cash includes cash and term deposits with the Province of Manitoba with maturities of up to three months.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

2 Loans receivable managed for the Province of Manitoba under Part II

	2002 $	2001 $
Business support		
Manitoba Industrial Opportunities Program	61,638,576	69,643,010
Manufacturing Adaptation Program	11,524	58,344
Canada - Manitoba Economic Development Partnership	221,680	221,680
	61,871,780	69,923,034
Other loans receivable		
Canada/Manitoba Tourism Agreement	75,000	81,692
Vision Capital Fund	29,017,659	26,179,844
Crocus Foods (1996) Limited	370,337	370,337
Manitoba Film and Sound	293,106	184,937
Related to sale of Linnet Geomatics International Inc.	247,863	257,024
Elmwood Cemetery	75,000	-
	30,078,965	27,073,834
	91,950,745	96,996,868
Less: Allowance for forgiveness	12,534,084	10,845,973
Allowance for doubtful accounts	19,618,282	40,424,242
	32,152,366	51,270,215
	59,798,379	45,726,653

The Vision Capital Fund loans receivable accrue interest at rates of 10.25% per annum and are secured by a debenture on all assets of the Fund. The interest accumulates in the Fund and is payable along with any outstanding loan advances on December 31, 2002.

3 Equity investments managed for the Province of Manitoba under Part II

	2002 $	2001 $
Share capital investments		
Class M preferred shares of A. E. McKenzie Co. Ltd.	-	2
Common shares of Crocus Foods (1996) Limited	75	75
Class C preferred shares of C.A.R.E. Corp.	267,370	477,170
3863620 Canada Limited	1	-
	267,446	477,247
Less: Allowance for forgiveness of shares	(267,446)	(477,247)
	-	-
Limited Partnership investments		
Vision Capital Fund	768,413	801,326
Manitoba Capital Fund	4,363,200	4,363,200
Manitoba Science and Technology Fund	1,242,706	595,695
Renaissance Capital Fund	2,500,000	-
Western Life Sciences Venture Fund LLP	500,000	-
	9,374,319	5,760,221
Less: Provision for decline in value of investments	6,032,996	4,567,990
Pro-rata share of partnership (earnings) losses	(2,036,812)	506,231
	3,996,184	5,074,221
	5,378,135	686,000

On December 20, 1994, the Province of Manitoba entered into an agreement to sell the assets of A. E. McKenzie Co. Ltd. As part of the sale, the Corporation purchased 102 Class M preferred shares of the purchaser for $102, redeemable prior to December 31, 2001. During the year, the Corporation redeemed the final 2 Class M shares at the request of A. E. McKenzie Co. Ltd. for proceeds of nil. An allowance for forgiveness for the full amount of the shares had previously been recognized.

On November 1, 1996, the Corporation incorporated a new subsidiary company, Crocus Foods (1996) Limited (Crocus), to acquire 100% of the assets of Crocus Foods Ltd., a fresh vegetable processing plant in Southport, Manitoba that was petitioned into bankruptcy by its previous owners. The purpose of this acquisition was to ensure the plant did not close and that jobs were maintained. Total share capital of Crocus consists of 100 common shares with a total paid up capital of $100. On June 1, 1997, the Corporation agreed to transfer up to 75 shares of Crocus to the management of Crocus, subject to certain terms and conditions. Subsequently, the Corporation transferred 25 common shares of Crocus to management under the terms of this agreement. Crocus has been accounted for as a temporary investment instead of on a fully consolidated basis.

The Corporation holds 267,370 (2001 - 477,170) Class C non-voting preferred shares of C.A.R.E. Corp. The preferred shares are cancellable on an annual basis at the rate of $10,000 for every job held at C.A.R.E. Corp., commencing February 1999. During the year, the Corporation cancelled 209,800 of these shares (2001 - 207,100). Consistent with the treatment of other similar share capital investments managed for the Province of Manitoba under Part II, an allowance for forgiveness of shares has been taken to fully provide for the amount of the investment at the time of acquisition.

Prior to January 17, 2002, the Province of Manitoba held a $22,494,241 investment in Faneuil ISG Inc., of which $1,250,000 was a MIOP loan recorded on the books of the Corporation. A provision against the value of the entire investment had been recorded by the Province and by the Corporation.

On January 17, 2002, Faneuil ISG Inc. was purchased by 3863620 Canada Limited. As a result of this transaction, the Province agreed to convert its existing investment into 11,000,000 preference shares of 3863620 Canada Limited, with scheduled redemption dates as follows:

Year 1 - nil
Year 2 - nil
Year 3 - nil
Year 4 - nil
Year 5 - $2,000,000
Year 6 - $2,000,000
Year 7 - $6,400,000*
* (net of $600,000 in legal fees)

The original $1,250,000 MIOP loan has been written off, together with the related provision. The investment in preference shares has been recorded in the books of the Corporation at a nominal value of $1. Any funds received upon redemption of the preference shares will accordingly result in the recognition of an equal amount of income at that time.

4 Contingent liability and commitments

Commitments and undisbursed balances of approved loans under Part II

	2002 $	2001 $
Manitoba Industrial Opportunities Program	29,819,900	13,839,800
Canada - Manitoba Economic Development Partnership	278,320	278,320
Manitoba Science & Technology Fund	1,251,294	1,897,305
Renaissance Fund	500,000	3,000,000
Vision Capital Fund	181,014	2,681,013
Manitoba Capital Fund	636,800	636,800
Western Life Sciences Venture Fund LLP	4,500,000	-
	37,167,328	22,333,238

5 Financial instruments

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of the fair value because of the short maturity of those instruments.

The financial risk is the risk to the Corporation's Part I earnings that arise from fluctuations in interest rates and the degree of volatility of these rates. Because Part II activities are directed by the Province of Manitoba, any exposure for these financial assets and liabilities to interest rate fluctuations or changes to their fair value would be borne by the Province. Credit risk relating to the realization of assets managed for the Province of Manitoba under Part II is borne by the Province.

6 Comparative figures

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

MNP
MEYERS NORRIS PENNY LLP

To the Board of Directors
Manitoba Film and Sound Recording Development Corporation

AUDITORS' REPORT

We have audited the balance sheet of Manitoba Film and Sound Recording Development Corporation as at March 31, 2002 and the statements of revenues and expenditures and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

April 19, 2002

Chartered Accountants

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

BALANCE SHEET

MARCH 31, 2002

	2002	2001
ASSETS		
CURRENT		
Cash (Note 3)	$ 830,523	$ 375,020
Note receivable	239,318	-
Funding receivable	1,100,000	-
Accrued interest/contribution receivable	22,374	9,247
Prepaid expenses	12,795	12,967
Inventory	10,376	5,748
	2,215,386	402,982
NOTES RECEIVABLE (Note 4)	65,950	184,937
CAPITAL ASSETS (Note 5)	84,552	84,517
	$2,365,888	$ 672,436
LIABILITIES		
CURRENT		
Accounts payable	$ 65,728	$ 34,280
Deferred revenue (Note 6)	519,858	-
Current portion of long-term debt	239,318	-
Carry-over commitments (Note 7)	1,318,205	293,619
	2,143,109	327,899
LONG-TERM DEBT (Note 8)	53,788	184,937
	2,196,897	512,836
FORWARD COMMITMENTS (Note 9)		
NET ASSETS (Note 10)		
Net assets invested in capital assets	84,552	84,517
Net assets unrestricted	84,439	75,083
	168,991	159,600
	$2,365,888	$ 672,436

ON BEHALF OF THE BOARD:

______________________ Director

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

STATEMENT OF REVENUES AND EXPENDITURES AND NET ASSETS
YEAR ENDED MARCH 31, 2002

	2002	2001
REVENUES		
Provincial Government funding	$3,384,042	$2,013,900
Interest income	38,535	40,000
Program recoupments	121,253	126,356
Industry contribution	11,642	-
	3,555,472	2,180,256
EXPENDITURES		
Film and Television Programs Funding:		
Film Development Financing Program	123,570	114,855
Film Production Financing Program	2,152,113	1,016,883
Film and Video Product Marketing Support Program	-	2,700
Access to Markets and Festivals Program (previously Professional Development)	24,702	25,913
Low Budget Feature Film Development Financing Program	31,785	57,955
Emerging Talent Matching Funds Program	10,000	-
Feature Film Completion Funding Program	68,134	-
Interest expense	11,603	10,982
	2,421,907	1,229,288
Sound Programs Funding:		
Sound Recording Production Fund	84,250	88,078
Demo Recording Fund	25,860	29,482
Music Video Fund	19,000	21,198
Record Product Marketing Support Program	23,925	12,800
Recording Artist Touring Support Program	27,113	27,685
Professional Development Program	43,463	33,511
Tour Manitoba Program	20,000	-
	243,611	212,754
Industry Support:		
Film:		
Industry Associations/Co-operatives	41,000	32,000
Sponsorships	33,850	54,021
Marketing	6,040	8,124
	80,890	94,145
Sound Recording:		
Industry Associations/Co-Operatives	1,000	-
Sponsorships	15,000	26,750
Marketing	5,781	14,780
	21,781	41,530
Film Commission/Locations Services	88,525	140,814
Administrative:		
- Salaries	378,711	382,957
- Operating	310,656	234,046
	689,367	617,003
	3,546,081	2,335,534
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,391	(155,278)
NET ASSETS, BEGINNING OF YEAR	159,600	314,878
NET ASSETS, END OF YEAR	$ 168,991	$ 159,600

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2002

	2002	2001
CASH PROVIDED (USED) BY:		
OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures	$ 9,391	$ (155,278)
Amortization	23,500	20,888
Loss on disposal	376	(75)
Carry-over commitments	2,653,916	1,421,050
Payments on outstanding carry-over commitment	(1,629,330)	(1,426,439)
Funding receivable	(1,100,000)	-
Deferred revenue	519,858	-
Accrued interest/contribution receivable	(13,127)	7,004
Prepaid expenses	172	13,849
Inventory	(4,628)	2,288
Accounts payable	31,448	(5,381)
	491,576	(122,094)
INVESTING ACTIVITIES		
Additions to capital assets	(26,660)	(11,783)
Proceeds on disposal of capital assets	2,749	
Repayment of notes receivable	22,775	250,000
Advance of notes receivable	(143,106)	(34,937)
	(144,242)	203,280
FINANCING ACTIVITIES		
Repayment of long-term debt	(34,937)	(250,000)
Advances of long-term debt	143,106	34,937
	108,169	(215,063)
INCREASE (DECREASE) IN CASH FLOWS	455,503	(133,877)
CASH, BEGINNING OF YEAR	375,020	508,897
CASH, END OF YEAR	$ 830,523	$ 375,020

MANITOBA FILM AND SOUND RECORDING DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2002

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1. NATURE OF BUSINESS

Manitoba Film and Sound Recording Development Corporation (the "Corporation") is a statutory corporation created by the Province of Manitoba through *The Manitoba Film and Sound Recording Development Corporation Act*. The chief objective of the Corporation is to foster growth of the Manitoba film and sound recording industries by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Manitoba Film and Video Production Tax Credit Program, including registration of productions and review of tax credit applications.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

PROGRAM FUNDING

The Corporation provides grant funding to Manitoba companies and individuals in four categories in order to promote Manitoba's film and sound recording artists and industries. The grant may nominally take the form of equity financing from which, in the future, there may be a recovery of principal or return on investment.

REVENUE RECOGNITION

Any recovery of principal or return on investment of programs funded is recorded as program recoupments, when received.

CAPITAL ASSETS

Capital assets are recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives. The annual rates are as follows:

Computer equipment	30%
Furniture	20%
Leasehold improvements	5%
Equipment	20%
Website	30%

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Amortization of capital assets is provided based on the Corporation's estimated useful lives of those assets.

2. SIGNIFICANT ACCOUNTING POLICIES (con't)

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. CASH

Cash on deposit earns monthly interest at the Chartered Bank's commercial rates.

4. NOTES RECEIVABLE

Notes receivable reflect loans advanced under the Special Loan fund, are required to be repaid as follows:

	2002	2001
Term loan bearing interest at 7.625%, interest payments due monthly, and principal balance due on June 1, 2002, secured by an assignment of film tax credits.	150,000	150,000
Term loan bearing interest at 7.0%, interest payable monthly, and principal balance due August 18, 2003, secured by an assignment of film tax credits.	12,162	34,937
Term loan bearing interest at 4.25%, interest payable monthly, and principal balance due August 1, 2003, secured by an assignment of film tax credits.	32,500	-
Term loan bearing interest at 5.25%, interest payable monthly, and principal balance due September 13, 2003, secured by an assignment of film tax credits.	21,288	-
Term loan bearing interest at 3.5%, interest payable monthly, and principal balance due January 30, 2003, secured by an assignment in part of license fee.	23,391	-
Term loan bearing interest at 3.5%, interest payable monthly, and principal balance due January 30, 2003, secured by an assignment of film tax credits.	56,329	-
Term loan bearing interest at 3.9%, interest payable monthly, and principal balance due February 20, 2003, secured by an assignment of film tax credits.	9,598	-
	305,268	184,937
Less: Current portion	239,318	-
	$ 65,950	$ 184,937

5. CAPITAL ASSETS

	2002			2001
	Costs	Accumulated Amortization	Net Book Value	Net Book Value
Website	$ 4,907	$ 2,797	$ 2,110	$ 3,582
Computer equipment	46,791	27,139	19,652	20,242
Furniture	43,097	17,508	25,589	24,054
Leasehold improvements	41,447	5,111	36,336	35,304
Equipment	2,358	1,493	865	1,335
	$ 138,600	$ 54,048	$ 84,552	$ 84,517

6. DEFERRED REVENUE

The Province of Manitoba has provided funds directed to specific programs in the next fiscal year. These funds consist of $277,500 for sound programs and $242,358 for film and television programs.

7. CARRY-OVER COMMITMENTS

Due to lead times required to obtain all the resources necessary to complete film, video and audio productions, the Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods. Particulars of such approved funding in fiscal year 01/02 and prior years, which were not fully advanced as at March 31, 2002 are as follows:

	Year of Commitment				Total	
	01/02	00/01	99/00	98/99	2002	2001
Film						
Film development	19,290	6,573	1,343	-	27,206	39,440
Film production	1,166,906	26,654	1,904	650	1,196,114	184,643
Film and video marketing	-	-	-	-	-	1,350
Access to markets and festivals	1,071	-	-	-	1,071	-
Emerging talent matching	1,000	-	-	-	1,000	-
Discretionary film	-	-	943	-	943	4,418
	1,188,267	33,227	4,190	650	1,226,334	229,851
Sound						
Sound recording	52,000	1,250	2,500	-	55,750	45,124
Demo recording	7,184	-	-	-	7,184	11,667
Audio marketing	4,500	300	-	-	4,800	1,300
Sound touring	1,660	-	-	-	1,660	1,050
Music video production	1,000	-	-	-	1,000	400
Tour Manitoba	20,000	-	-	-	20,000	-
Professional development	1,378	99	-	-	1,477	4,227
	87,722	1,649	2,500	-	91,871	63,768
Total Commitments	$1,275,989	$ 34,876	$ 6,690	$ 650	$1,318,205	$ 293,619

8. LONG-TERM DEBT

Long-term debt reflects borrowings by Manitoba Film and Sound from the Province to fund Special Loans advanced. Special loans are secured by Notes Receivable which are detailed in Note 4.

	2002	2001
Term loan bearing interest at 6.0%, repaid during the year	-	34,937
Term loan bearing interest at 6.625%, interest payments due semi-annually and principal balance due June 1, 2002	150,000	150,000
Term loan bearing interest at 3.25%, interest payments due semi-annually and principal balance due August 1, 2003	32,500	-
Term loan bearing interest at 4.25%, interest payments due semi-annually and principal balance due September 13, 2003	21,288	-
Term loan bearing interest at 2.5%, interest payments due semi-annually and principal balance due January 30, 2003	23,391	-
Term loan bearing interest at 2.5%, interest payments due semi-annually and principal balance due January 30, 2003	56,329	-
Term loan bearing interest at 2.9%, interest payments due semi-annually and principal balance due February 20, 2003	9,598	-
	293,106	184,937
Less: current portion	239,318	-
	$ 53,788	$184,937

9. FORWARD COMMITMENTS

Due to the demand for funding of film, video and audio productions, the Corporation approves applications for funding which will not be disbursed until subsequent fiscal periods, contingent on future provincial funding.

Subsequent to year end, the Corporation was advised by the Province of Manitoba that it will receive a one-time grant of $1,100,000 to pay out forward commitments made during the year ended March 31, 2002 to film and television productions under the Film Manitoba Equity Investment Program. Both the commitments and one-time grant have been recorded in these financial statements.

As at March 31, 2002 the Corporation had no forward commitments.

10. NET ASSETS

	Invested in capital assets	Unrestricted	2002	2001
Balance, beginning of year	84,517	75,083	159,600	314,878
Excess (deficiency) of revenues over expenditures	(23,500)	32,891	9,391	(155,278)
Investment in capital assets	23,535	(23,535)	-	-
Balance, end of year	$ 84,552	$ 84,439	$168,991	$159,600

11. LEASE COMMITMENTS

The Corporation has entered into various lease agreements with minimum annual payments as follows:

2003	55,208
2004	55,208
2005	2,094

12. RELATED PARTY TRANSACTIONS

The Corporation paid fees of $43,469 to a business in which one of the Corporation's board members is an owner.

The transactions are at terms and conditions similar to those with an arms length party.

13. ECONOMIC DEPENDENCE

The Corporation's primary source of income is derived from the Province of Manitoba in the form of an operating grant.

14. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform with the current year's presentation.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Trustees of The Manitoba Foundation

We have audited the balance sheet of The Manitoba Foundation as at March 31, 2002 and the statement of income and expenditure for the year then ended. These financial statements are the responsibility of the Foundation's Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board of Trustees, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Manitoba Foundation as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
September 3, 2002

THE MANITOBA FOUNDATION
BALANCE SHEET

As At March 31, 2002
(with comparative figures for March 31, 2001)

	2002 $	2001 $
ASSETS		
Funds on deposit with the Minister of Finance	11	11
FUND BALANCE		
Fund balance	11	11

THE MANITOBA FOUNDATION
STATEMENT OF INCOME AND EXPENDITURE

For the Year Ended March 31, 2002
(with comparative figures for the year
ended March 31,2001)

	2002 $	2001 $
INCOME:		
Interest and other income	0	1
EXPENDITURE:		
Administrative expenditures	0	0
EXCESS OF INCOME OVER EXPENDITURE	0	1
FUND BALANCE AT BEGINNING OF YEAR	11	10
FUND BALANCE AT END OF YEAR	11	11

APPROVED BY THE BOARD:

_______________ Trustee

_______________ Trustee

THE MANITOBA FOUNDATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

I. INCORPORATION AND FUNCTION

The Manitoba Foundation was established by The Manitoba Foundation Act which was proclaimed on November 22, 1993.

The Manitoba Foundation meets the requirement of Crown Agency status within the meaning of the Income Tax Act, and as such can receive gifts to Her Majesty in right of Manitoba and issue official receipts for income tax purposes.

The Foundation is intended to act as a conduit, for the transfer of gifts received, to institutions which are registered charities and are designated by the Lieutenant Governor in Council in the Regulations under The Manitoba Foundation Act.

2. SIGNIFICANT ACCOUNTING POLICIES

The Foundation financial statements are prepared in accordance with Canadian generally accepted accounting principles.

3. GIFTS POLICY AND WITHHOLDINGS FOR ADMINISTRATIVE EXPENSES

Gifts to the Foundation must have a value of not less than $10,000 and the transfer of these properties must be voluntary.

The Trustees of the Foundation are entitled to cover their administrative costs from the property and earnings of the fund and have adopted a withholding policy for this purpose. The full amount of the gift is the amount that qualifies for the purposes of an official tax receipt.

The Trustees will review the fund balance and intend to transfer any excess amount withheld to the designated institution(s) on a pro rata basis.

4. SERVICES PROVIDED BY THE PROVINCE

The Province of Manitoba provides administrative support services at no charge to the Foundation. The full costs of these services are nominal in amount.

5. STATEMENT OF CASH FLOWS

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

BDO

BDO Dunwoody LLP
Chartered Accountants
and Consultants
www.bdo.ca

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
Telephone (204) 956-7200
Telefax (204) 926-7201

Auditors' Report

To the Members of
MANITOBA GAMING CONTROL COMMISSION

We have audited the balance sheet of **MANITOBA GAMING CONTROL COMMISSION** as at March 31, 2002 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 30, 2002

MANITOBA GAMING CONTROL COMMISSION
Balance Sheet

March 31	2002	2001
Assets		
Current Assets		
Cash	$ 179,931	$ 130,574
Short-term investments	2,903,982	2,540,955
Accounts receivable	155,332	147,302
	3,239,245	2,818,831
Capital assets (Note 1)	552,912	403,904
	$ 3,792,157	$ 3,222,735
Liabilities and Surplus		
Current Liabilities		
Accounts payable and accrued liabilities	$ 582,100	$ 423,755
Deferred revenue (Note 2)	1,196,640	1,162,735
	1,778,740	1,586,490
Deferred lease inducements (Note 3)	58,625	69,125
	1,837,365	1,655,615
Surplus	1,954,792	1,567,120
	$ 3,792,157	$ 3,222,735

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION
Statement of Operations and Surplus

For the year ended March 31	2002	2001
Revenue		
Registration fees	$ 2,250,727	$ 2,157,800
License fees	1,386,668	1,344,186
	3,637,395	3,501,986
Expenses		
Salaries and benefits	2,338,617	2,340,916
Other expenses (Note 4)	308,221	411,195
Rent	140,202	139,696
Transportation	131,837	120,711
Amortization	89,429	94,776
Communications	82,074	77,568
Legal and professional fees	78,774	78,642
Commission Board	73,112	42,945
Supplies and services	63,343	70,373
Accommodations	41,978	31,102
	3,347,587	3,407,924
Income before other items	289,808	94,062
Other Items		
Other income	25,721	62,900
Interest income	72,143	100,067
	97,864	162,967
Excess of revenue for the year	387,672	257,029
Surplus, beginning of year	1,567,120	1,310,091
Surplus, end of year	$ 1,954,792	$ 1,567,120

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION
Statement of Cash Flows

For the year ended March 31	2002	2001
Cash Flows from Operating Activities		
Excess of revenue for the year	$ 387,672	$ 257,029
Items not involving cash		
Amortization of capital assets	91,506	96,977
	479,178	354,006
Changes in non-cash working capital balances		
Accounts receivable	(8,030)	23,597
Accounts payable and accrued liabilities	158,345	(23,503)
Deferred revenue	33,905	(13,850)
	663,398	340,250
Cash Flows from Investing Activities		
Purchase of capital assets	(240,514)	(36,720)
Cash Flows from Financing Activities		
Deferred lease inducements	(10,500)	(10,500)
Increase in cash and cash equivalents during the year	412,384	293,030
Cash and cash equivalents, beginning of year	2,671,529	2,378,499
Cash and cash equivalents, end of year	$ 3,083,913	$ 2,671,529
Represented by		
Cash	$ 179,931	$ 130,574
Short-term investments	2,903,982	2,540,955
	$ 3,083,913	$ 2,671,529

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION
Summary of Significant Accounting Policies

March 31, 2002

Nature of Business

The Manitoba Gaming Control Commission was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20 % declining balance basis
Furniture and fixtures	10 % declining balance basis
Computer equipment	30 % declining balance basis

Revenue Recognition

Revenue and expenses are recorded on an accrual basis except for license fee revenue, which is recognized on a cash receipt basis.

1. Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment	$ 55,916	$ 30,859	$ 25,057	$ 30,921
Furniture and fixtures	295,769	106,310	189,459	210,413
Computer equipment	573,536	235,140	338,396	162,570
	$ 925,221	$ 372,309	$ 552,912	$ 403,904

2. Deferred Revenue

Deferred revenue consists of registration fees received to be recognized as revenue in the year in which the related expenses are incurred.

3. Deferred Lease Inducements

The organization has received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements are amortized over the term of the lease on a straight-line basis as reductions of rental expense. Rental expense has been reduced by $10,500 for the period ending March 31, 2002 ($10,500 in 2001) and an annual reduction in rental expense of approximately $10,500 is expected for the years 2003 through 2007.

4. Other Expenses

Other expenses includes the First Nations Implementation Team expenses of $143,137 ($251,911 in 2001).

5. Commitments

The organization has an operating lease for its premises at $12,094 per month, under a lease expiring in 2007.

The minimum annual lease payments for the next five years are as follows:

2003	$ 145,125
2004	145,125
2005	145,125
2006	145,125
2007	145,125

6. Economic Dependence

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees.

7. Pension Plans

Substantially all of the employees of the Commission are members of a Money Purchase Pension Plan ("the Plan"), which is a defined contribution pension plan available to all eligible employees of the Commission. Upon retirement, plan members will receive benefits based on contributions made to the Plan during the employees' years of service.

The remainder of the employees are members of the Province of Manitoba's defined benefit Superannuation Pension Fund. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

The Commission's portion of contributions to these plans is recognized as operating expenses in the period of contribution. Total contributions for the year are $60,597 ($52,634 in 2001).

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS'REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of The Manitoba Habitat Heritage Corporation

We have audited the statement of financial position of The Manitoba Habitat Heritage Corporation as at March 31, 2002 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 13, 2002

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Financial Position
as at March 31, 2002
(with comparative figures for 2001)

	North American Waterfowl Management Plan	Manitoba Agro Woodlot Program	Green Banks Program	Capital Assets	2002	2001
Assets						
Current						
Cash	$74,754	$88,402	$108,234		$271,390	$93,801
Funds on deposit with Province of Manitoba	401,011	125,000	130,792		656,803	631,367
Accounts Receivable						
Government of Canada	93,334	5,130	10,000		108,464	70,000
Province of Manitoba	1,158	523	327		2,008	8,978
Other	6,122		25,000		31,122	5,877
Due from Manitoba Agro Woodlot Program	2,364				2,364	3,273
Due from Green Banks Program	116				116	8,891
Prepaid expenses	9,631	500			10,131	13,385
	588,490	219,555	274,353		1,082,398	835,572
Capital assets (Note 3)				1,704,378	1,704,378	1,324,573
					2,786,776	2,160,145
Trust assets (Notes 7a and 7b)					659,810	714,899
	$588,490	$219,555	$274,353	$1,704,378	$3,446,586	$2,875,044
Liabilities						
Current						
Accounts payable and accrued liabilities	$108,698	$22,682	$1,110		$132,490	$134,844
Due to North American Waterfowl Management Plan		2,364	116		2,480	12,164
	108,698	25,046	1,226		134,970	147,008
Deferred contributions (Note 4)	479,792	194,509	273,127		947,428	688,564
Fund balances						
Invested in Capital Assets				1,701,959	1,701,959	1,324,573
Capital Lease Liabilities				2,419	2,419	
					2,786,776	2,160,145
Trust liabilities (Notes 7a and 7b)					659,810	714,899
	$588,490	$219,555	$274,353	$1,704,378	$3,446,586	$2,875,044

Commitments (Note 5)

On behalf of the Board:

Director
Director

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Operations and Changes in Fund Balances
for the year ended March 31, 2002
(with comparative figures for 2001)

	North American Waterfowl Management Plan	Manitoba Agro Woodlot Program	Green Banks Program	Capital Assets	2002	2001
REVENUE						
Federal Government Contributions	$525,190	$2,000	$60,975		$588,165	$331,600
Province of Manitoba Contributions	566,162	233,999			800,161	836,175
Contributed Services, Province of Manitoba	61,236	73,745	13,312		148,293	146,418
Donations	209				209	310
Interest Income	8,568	531	4,745		13,844	32,076
Other	207,162	785	143,966		351,913	171,767
Management Fees (Note 8)	179,649				179,649	65,633
	1,548,176	311,060	222,998	-	2,082,234	1,583,979
EXPENSES						
Amortization of Capital Assets				33,136	33,136	39,690
Service Delivery - Schedule 1	1,139,331				1,139,331	982,438
- Schedule 2		309,383			309,383	363,849
- Schedule 3			222,998		222,998	110,210
	1,139,331	309,383	222,998	33,136	1,704,848	1,496,187
Excess (Deficiency) of Revenue over Expenses	408,845	1,677	-	(33,136)	377,386	87,792
Fund Balances, beginning of year	-	-	-	1,324,573	1,324,573	1,219,781
Donated land (Note 2b)					-	17,000
Interfund Transfers	(408,845)	(1,677)	-	410,522	-	-
Fund Balances, end of year	$ -	$ -	$ -	$1,701,959	$1,701,959	$1,324,573

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Cash Flows for the year ended March 31, 2002
(with comparative figures for 2001)

	North American Waterfowl Management Plan	Manitoba Agro Woodlot Program	Green Banks Program	Capital Assets	2002	2001
Cash from operating activities						
Excess (deficiency) of revenue over expenses	$408,845	$1,677	-	($33,136)	$377,386	$90,792
Amortization of capital assets				33,136	33,136	36,690
Net change in non-cash working capital	(18,709)	5,060	(42,190)		(55,839)	47,099
Increase (decrease) in deferred contributions	78,838	78,401	101,625		258,864	(89,775)
Net cash generated through operating activities	468,974	85,138	59,435	-	613,547	84,806
Financing and investing activities						
Purchase of capital assets				(410,522)	(410,522)	(127,482)
Interfund Transfers	(408,845)	(1,677)	-	410,522	-	-
Net increase (decrease) in cash	60,129	83,461	59,435	-	203,025	(42,676)
Cash and cash equivalents, beginning of year	415,636	129,941	179,591	-	725,168	767,844
Cash and cash equivalents, end of year	$475,765	$213,402	$239,026	$ -	$928,193	$725,168
Cash and cash equivalents consist of :						
Cash	$74,754	$88,402	$108,234		$271,390	$93,801
Funds on deposit with Province of Manitoba	401,011	125,000	130,792		656,803	631,367
	$475,765	$213,402	$239,026	$ -	$928,193	$725,168

1. Nature of Organization

The Manitoba Habitat Heritage Corporation (MHHC) was established in 1986 as a Crown Corporation under *The Manitoba Habitat Heritage Act*. The objectives of the Corporation are the conservation, restoration and enhancement of Manitoba fish and wildlife habitat and the associated fish and wildlife populations thereof. Donations to the Corporation are tax deductible by the donor pursuant to *The Income Tax Act*, as gifts to Her Majesty. The Corporation is involved in the following initiatives:

a) The North American Waterfowl Management Plan (NAWMP)

Under Order-in-Council 634/89, the Corporation is authorized to be the Provincial agency responsible for coordinating the delivery of the North American Waterfowl Management Plan in Manitoba.

b) The Manitoba Agro Woodlot Program (MAWP)

On May 7, 1992 the Corporation signed a memorandum of agreement with Manitoba Department of Natural Resources to deliver the Manitoba Agro Woodlot Program in Southwestern Manitoba. A management fee is charged by the Corporation for services provided by NAWMP to this program.

c) The Green Banks Program

In January 1994, the Board of Directors of the Corporation directed staff to develop a strategy to deal with protection, restoration and enhancement of riparian habitat in agro-Manitoba. A management fee is charged by the Corporation for services provided by NAWMP to this program.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are:

a) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred.

Interest income earned on restricted funds' resources is recognized as revenue of the related restricted fund.

Management fees are recognized as revenue in the year the service is provided.

b) Capital Assets

The Capital Asset Fund reports the assets and related amortization of the Corporation's capital assets.

Purchased capital assets are recorded at cost and donated capital assets are recorded at fair value at the date the asset is donated.

Amortization of capital assets is recorded on a straight-line basis over the estimated useful life of the capital asset at the rates indicated below. Amortization expense is recorded in the capital asset fund.

Computer hardware	- 20%
Computer software	- 33%
Equipment	-10%
Furniture and fixtures	-10%

c) Contributed Services

Services are contributed by the Wildlife and Forestry Branches of Manitoba Conservation. Contributed services are recorded at cost which is fair value.

d) Funds on Deposit with Province of Manitoba

Funds on deposit are recorded at cost which approximates market. All funds on deposit have terms of 90 days or less.

3. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2002	Net Book Value 2001
Land and Land use rights	$1,584,911	$ --	$1,584,911	$1,230,312
Computer hardware	168,831	112,536	56,295	48,244
Computer software	26,458	17,020	9,438	7,674
Equipment	93,546	50,092	43,454	31,376
Furniture and fixtures	57,355	47,075	10,280	6,967
Total capital assets	$1,931,101	$226,723	$1,704,378	$1,324,573

4. Deferred Contributions

Deferred contributions reported in the respective funds relate to restricted funding received in the current period that is related to expenses of future periods. Deferred contributions are required for the ongoing future operations of the Corporation as follows:

NAWMP

- $110,000 received from Environment Canada, for purchased Species at Risk Habitat Stewardship Program Conservation Agreements, signed in fiscal year 2001/02. Payment for these Conservation Agreements will be made upon filing of the caveats.
- $72,200 committed to signed purchased Conservation Agreements. Payment for these Conservation Agreements will be made upon filing of the caveats.
- $180,000 budgeted operating funds for the first three months of 2002/03.

MAWP

- $77,200 budgeted operating funds for the first three months of 2002/03.

Green Banks

- $178,962 committed to signed, landowner agreements.

Changes in the deferred contributions balance reported in the respective funds are as follows:

	NAWMP	MAWP	GREEN BANKS	2002	2001
Beginning balance	$400,954	$116,108	$171,502	$688,564	$778,339
Less amount recognized as revenue	--	--	--	--	(55,634)
Less Provincial grants rescinded	--	--	--	--	(200,000)
Add revenue received and deferred	78,838	78,401	101,625	258,864	165,859
Ending balance	$479,792	$194,509	$273,127	$947,428	$ 688,564

5. Commitments

a) The Corporation leases land for wildlife habitat under NAWMP. Each lease is subject to the condition that sufficient funds are appropriated by the Province of Manitoba. The future minimum lease payments in the aggregate and for each of the five succeeding years are:

2003	$15,604
2004	11,038
2005	9,419
2006	5,596
2007	1,267
Aggregate	$42,924

b) The Corporation leases vehicles and office equipment under NAWMP and MAWP. The future minimum lease payments in the aggregate and for each of the three succeeding years are:

2003	$ 9,211
2004	1,086
2005	230
Aggregate	$10,527

c) The Corporation leases space for the Winnipeg office at an annual base rent of $24,035. The lease expires March 31, 2003.

d) The Corporation leases computer equipment in the Winnipeg office. The future minimum lease payments in the aggregate and for each of the next three years are:

2003	$ 751
2004	897
2005	771
Aggregate	$2,419

e) At March 31, 2002 the Green Banks Program included several projects in progress. Remaining commitments under these signed agreements total approximately $178,962.

f) At March 31, 2002 the NAWMP Program included funding from Environment Canada, Species at Risk Habitat Stewardship Program (SARA) for the purchase of signed Conservation Agreements. Commitments under these signed conservation agreements total approximately $110,000.

g) At March 31, 2002, the NAWMP Program included several signed, purchased Conservation Agreements, to be paid out upon filing of the caveats. Commitments under these signed conservation agreements total approximately $72,200

6. Employee Pension Plan

Under the terms of the Corporation's pension plan, employee contributions are matched by the Corporation on a current basis. As a result, there are no unfunded liabilities and no outstanding corporate obligations.

7. Trust Assets/Liabilities

a) The Critical Wildlife Habitat Program (CWHP)

The Corporation is a partner to the CWHP along with the Wildlife Branch of Manitoba Conservation.

The Corporation holds title, in trust, to a portfolio of land and provides banking and financial services for CWHP's funds designated to the Corporation including funds of the Manitoba Forestry/Wildlife Management Project (MFWMP). A management fee is charged by the Corporation for the services provided by NAWMP. Disbursements are made at the direction of the Wildlife Branch. Grants from the Province of Manitoba flow through the Corporation to this program.

Trust assets held by MHHC on behalf of this program include:

	2002	2001
Land Portfolio	$593,280	$593,280
Cash-CWHP	48,141	51,904
Cash-MFWMP	11,723	11,719
Cash-SARA	-	40,023
	$653,144	$696,926

b) Manitoba Model Forest Inc. (MBMF)

On March 31, 1997 the Corporation entered into a one year agreement with MBMF to provide banking and financial services to this program. The agreement was subsequently extended for a further period of two years until March 31, 2000. As the project is near completion an extension to this agreement has not been formalized. Disbursements are made at the direction of the General Manager of MBMF. A management fee is charged by the Corporation for the services provided by NAWMP.

Trust assets held by MHHC on behalf of this program include:

	2002	2001
Cash	$6,666	$17,973

8. Management Fees

The Corporation charges for services provided by NAWMP to other programs as follows:

	2002	2001
NAWMP		
MAWP	$ 9,072	$12,984
Green Banks Program	127,001	50,651
CWHP	41,476	1,748
MBMF	-	250
Other	2,100	-
	$179,649	$65,633

9. Economic Dependence

MHHC is economically dependent on the Province of Manitoba to provide the majority of funding.

10. Public Sector Compensation Disclosure

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totaled $9,381 (2001 - $8,450). In addition, one contract employee, T. Sopuck, Manager of Operations, received $57,406 (2001 - $55,441) in the fiscal year.

THE MANITOBA HABITAT HERITAGE CORPORATION

Schedule 1

NORTH AMERICAN WATERFOWL MANAGEMENT PLAN

Schedule of Expenses for the year ended March 31, 2002
(with comparative figures for 2001)

	2002	2001
Expenses		
Habitat activities		
Salaries and benefits	$346,965	$283,197
Managed grazing systems	112,625	-
Field office operations	64,884	58,191
Staff support	74,310	54,151
Nest baskets	28,934	33,553
Land leases	27,601	55,744
Habitat development	6,699	10,236
Taxes	14,523	14,019
	676,541	509,091
Evaluation	7,000	13,054
Communications		
Salaries and benefits	74,434	71,797
Program delivery	36,130	48,415
	110,564	120,212
Program coordination		
Salaries and benefits	191,123	176,324
Rent	42,701	32,763
Office	46,996	33,538
Other	23,680	56,292
Professional fees	16,315	9,854
Board meetings and remuneration	10,215	19,856
Travel	14,196	11,454
	345,226	340,081
Total expenses	**$1,139,331**	**$982,438**

THE MANITOBA HABITAT HERITAGE CORPORATION

Schedule 2

MANITOBA AGRO WOODLOT PROGRAM

Schedule of Expenses for the year ended March 31, 2002
(with comparative figures for 2001)

	2002	2001
Expenses		
Habitat activities		
Salaries and benefits	$185,272	$213,692
Incentives	20,680	18,031
Special projects	-	2,121
Travel	29,367	43,213
Office	17,803	21,608
Management fees (Note 8)	9,072	11,511
Rent	7,236	10,851
Other	21,215	15,370
Professional fees	701	250
Training workshops	11,501	17,061
	302,847	353,708
Communications		
Management fees (Note 8)	-	1,473
Program delivery	6,536	8,668
	6,536	10,141
Total expenses	$309,383	$363,849

THE MANITOBA HABITAT HERITAGE CORPORATION **Schedule 3**

GREEN BANKS PROGRAM

Schedule of Expenses for the year ended March 31, 2002
(with comparative figures for 2001)

	2002	2001
Expenses		
Riparian Coordination	$16,987	-
Management fees (Note 8)	127,001	50,651
Contributed services	13,312	11,011
Managed grazing systems	51,038	41,021
Other	14,660	7,527
Total expenses	**$222,998**	**$110,210**

Day & Company

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Business Development Professionals

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July 31, 2002

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba:

I have audited the statement of financial position of **The Manitoba Health Research Council** as at March 31, 2002 and the statements of revenue, expenditures and fund balances and changes in cash flows for the year then ended. These financial statements are the responsibility of Management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of The Manitoba Research Council as at March 31, 2002, and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Day & Company

Chartered Accountant

CA

THE MANITOBA HEALTH RESEARCH COUNCIL

STATEMENT OF FINANCIAL POSITION

MARCH 31	2002	2001
ASSETS		
Current		
Cash	$ 16,878	$ 7,509
Short-term investments (market value $1,318,192; 2001 - $1,167,108)	1,276,569	1,124,922
Accounts receivable	-	282,146
Accrued interest receivable	57,649	51,223
Prepaid insurance	1,557	-
Deposits	500	500
	1,353,153	1,466,300
Capital assets, at cost (note 2)		
Office equipment	6,375	6,375
Computer equipment	2,515	2,515
	8,890	8,890
Less: Accumulated amortization	(4,793)	(3,769)
	4,097	5,121
	$ 1,357,250	$1,471,421
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 7,159	$ 22,008
Research grants payable	721,915	660,215
	729,074	682,223
Non-current research grants payable	-	28,500
	729,074	710,723
Future commitments of the Research Fund (note 3)		
FUND BALANCES		
General Research Fund	131,751	367,792
Regional Partnership Fund	106,022	8,800
Strategic Health Research Development Fund	390,403	384,106
Total fund balances	628,176	760,698
	$ 1,357,250	$1,471,421

See Accompanying Notes

THE MANITOBA HEALTH RESEARCH COUNCIL

STATEMENT OF REVENUE, EXPENDITURES AND FUND BALANCES

YEAR ENDED MARCH 31

	General Research Fund	Regional Partnership Fund	Strategic Health Research Development Fund	2002 Total	2001 Total
REVENUE					
Province of Manitoba - Grant	$ 1,752,600	$ -	$ -	$ 1,752,600	$1,752,600
Regional Partnership Grant	-	866,292	-	866,292	992,351
Grants and awards returned /rescinded	42,531	46,474	-	89,005	23,308
Interest	20,400	26,529	22,993	69,922	80,624
	1,815,531	939,295	22,993	2,777,819	2,848,883
EXPENDITURES					
Personnel awards	742,000	77,000	-	819,000	768,717
Research grants	1,206,850	744,529	3,000	1,954,379	1,933,013
Administration (schedule)	102,722	20,544	13,696	136,962	115,060
	2,051,572	842,073	16,696	2,910,341	2,816,790
Excess (deficiency) of revenue over expenditures	(236,041)	97,222	6,297	(132,522)	32,093
FUND BALANCES					
Fund balances, beginning	367,792	8,800	384,106	760,698	728,605
Fund balances, ending	$ 131,751	$ 106,022	$ 390,403	$ 628,176	$ 760,698

DAY & COMPANY

See Accompanying Notes and Schedule

THE MANITOBA HEALTH RESEARCH COUNCIL

STATEMENT OF CHANGES IN CASH FLOWS

YEAR ENDED MARCH 31	2002	2001
Operating activities		
Excess (deficiency) of revenue over expenditures	$ (132,522)	$ 32,093
Amortization not requiring a current outlay of funds	1,024	1,280
	(131,498)	33,373
Net change in non-cash working capital balances		
Increase in short-term investments	(151,647)	(266,314)
(Increase) decrease in accounts receivable	282,146	(272,833)
Increase in accrued interest receivable	(6,426)	(10,944)
Increase in prepaid insurance	(1,557)	-
Increase (decrease) in accounts payable and accrued liabilites	(14,849)	15,575
Increase in current research grants payable	61,700	517,504
	169,367	(17,012)
	37,869	16,361
Financing activities		
Decrease in non-current research grant	(28,500)	(13,500)
Increase in cash during the year	9,369	2,861
Cash, beginning of year	7,509	4,648
Cash, end of year	$ 16,878	$ 7,509

See Accompanying Notes

THE MANITOBA HEALTH RESEARCH COUNCIL

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002

1 Incorporation and function

The Manitoba Health Research Council was established by The Manitoba Health Research Council Act to promote and assist basic, clinical and applied research in the health sciences in Manitoba. The Council relies entirely on grants from the Province of Manitoba and its agencies. The Manitoba Health Research Council is a registered charity within the meaning of the Income Tax Act.

2 Significant accounting policies

Fund accounting

The Manitoba Health Research Council follows the restricted fund method of accounting for contributions.

The Strategic Health Research Development Fund reports only restricted resources that are used for qualified research and development projects in the health industry sector in Manitoba. Grants awarded to qualified researchers must be matched by private sector grants awarded to those researchers. Grants and awards are recorded as an expenditure in the year the commitment is made regardless of when the grant will be paid out.

The General Research Fund and Regional Partnership Fund report only restricted resources that are used for research purposes.

Capital assets

Capital assets are amortized at rates and methods designed to write-off the assets over their estimated useful lives as follows:

Office equipment	20% diminishing balance
Computer equipment	20% diminishing balance

Short-term investments

Short-term investments are carried at the lower of cost and market value.

Interest revenue

Interest revenue is allocated proportionately to the Funds on the basis of monthly Fund balances.

Research grants and Regional Partnerships Awards

Research grants and Regional Partnerships Awards are charged to expenditures when funding is committed by Council. Research grants returned to or rescinded by the Council are recorded as revenues when received or rescinded.

Personnel Awards

Personnel awards and their renewals are charged to expenditures when funding is approved by Council.

Administration Expenditures

Administration expenditures are allocated 75% (2001-90%) to the General Research Fund, 15% (2001-0%) to the Regional Partnership Fund and 10% (2001-10%) to the Strategic Health Research Development Fund.

3 Future commitments of the Research Fund

The Manitoba Health Research Council has committed grants and awards under the General Research Fund and the Regional Partnership Fund as follows:

Year	General Research Fund	Regional Partnership Fund	Total
2003	$ 1,019,750	$ 250,460	$ 1,270,210
2004	98,400	77,000	175,400
2005	-	77,000	77,000
	$ 1,118,150	$ 404,460	$ 1,522,610

Future commitments of the General Research Fund and Regional Partnership Fund are not recorded as an expenditure in the year of commitment.

These commitments are funded as follows:

Current General Research Fund Balance	$ 131,751
Current Regional Partnership Fund Balance	106,022
Future provincial government funding	1,284,837
	$ 1,522,610

4 Related party transactions

Office accommodation is provided at no charge by the University of Manitoba.

In addition to those related party transactions disclosed elsewhere in these financial statements, the Council is related to all Province of Manitoba departments and agencies. The Council enters into transactions with these entities in the normal course of business.

THE MANITOBA HEALTH RESEARCH COUNCIL

Schedule

ADMINISTRATION EXPENDITURES

YEAR ENDED MARCH 31	2002	2001
Amortization	$ 1,024	$ 1,280
Audit	3,500	2,200
Bank charges	279	175
Council and committee expenses	1,604	1,855
Goods and Services Tax	350	217
Insurance	2,758	2,975
Office maintenance	1,004	436
Postage and delivery	1,546	1,436
Printing and stationery	4,835	2,789
Salaries and benefits	118,803	100,593
Telephone	1,259	1,101
	$ 136,962	$ 115,057

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba

In accordance with section 7 of The Health Services Insurance Act, we have audited the balance sheet of the Manitoba Health Services Insurance Plan as at March 31, 2002 and the statement of revenue and expenditure, and net assets for the year then ended. These financial statements, which reflect the Plan's health program expenditures for insured services and the funding provided for these programs from the Department of Health appropriations for the Health Services Insurance Fund and Capital Grants, have been prepared in accordance with the accounting policies described in note 2. These financial statements are the responsibility of the management of the Department of Health. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the assets, liabilities and net assets of the Manitoba Health Services Insurance Plan as at March 31, 2002 and the revenue and expenditure for the year then ended in accordance with the accounting policies described in note 2.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 28, 2002

Manitoba Health Services Insurance Plan

Balance Sheet

As At March 31, 2002

ASSETS

	2002	2001
	(thousands of dollars)	
Cash	$ 23,365	$ 17,476
Funds on deposit with the Province of Manitoba	102,756	137,709
Accounts receivable:		
Province of Manitoba	26	68
Other Provinces and Territories	12,693	9,024
Other	4,630	8,872
	17,349	17,964
Funds held in trust re debenture trust agreements (Note 3)	50,329	68,868
	$193,799	$242,017

LIABILITIES AND NET ASSETS

	2002	2001
	(thousands of dollars)	
Accounts payable and accrued liabilities:		
Health Authorities and Facilities	$ 73,552	$ 98,169
Medical services claims	37,536	32,347
Pharmacare claims	8,158	6,588
General	16,398	21,479
	135,644	158,583
Provision for long term disability benefits (Note 7)	7,026	13,766
Holdbacks relating to debenture trust agreements (Note 3)	50,329	68,868
Net assets	800	800
	$193,799	$242,017

See accompanying notes to financial statements.

Manitoba Health Services Insurance Plan

Statement of Revenue and Expenditure, and Net Assets

For the Year Ended March 31, 2002

	2002	2001
	(thousands of dollars)	
Revenue:		
Grants from the Province of Manitoba	$2,552,429	$2,393,716
Third party recoveries	7,673	8,399
Miscellaneous	69	122
Total revenue	2,560,171	2,402,237
Expenditure:		
Health Authorities and Facilities (Note 2c, 4 and 6)	1,819,990	1,725,354
Medical (Notes 2c, 4 and 5)	525,055	487,678
Provincial programs	78,343	80,278
Pharmacare	136,783	108,927
Total expenditure	2,560,171	2,402,237
Revenue over expenditure	--	--
Net assets beginning of year	800	800
Net assets end of year	$ 800	$ 800

See accompanying notes to financial statements.

Note 1 - Nature of Operations

The Manitoba Health Services Insurance Plan operates under the authority of the Health Services Insurance Act. The mandate of the Plan is to provide health related insurance for Manitobans by funding the costs of qualified hospital, medical, personal care and other health services. The Plan's financial operations are administered outside of the Provincial Consolidated Fund.

Note 2 - Significant Accounting Policies

a) Basis of Accounting

The financial statements have been prepared on an accrual basis of accounting.

b) Administrative and Operating Expenses

The financial statements do not include administrative salaries and operating expenses related to the Plan. These are included in the operating expenses of Manitoba Health.

c) Interprovincial Reciprocal Recoveries

Under interprovincial reciprocal agreements Canadian residents can obtain necessary hospital and medical services while away from their home provinces or territories. Claims for services are subsequently recovered between provincial governments. In order to reflect the cost of insured services to Manitobans, the recoveries attributable to services for non-Manitoba residents are netted against program expenditures.

For the year ended March 31, 2002 the expenditure for Health Authorities and Facilities within the Province, of $1,819,990,000 (2001 - $1,725,354,000) is net of reciprocal recoveries of $26,637,000 (2001 - $25,988,000). The expenditure for Medical program of $525,055,000 (2001 - $487,678,000) is net of reciprocal recoveries of $8,984,000 (2001 - $8,125,000).

d) Vacation Pay and Post-Employment Benefits

Under current funding arrangements with health authorities and health facilities, the Manitoba Health Services Insurance Plan does not fund or record the cost of annual vacation leave earned by employees of health authorities and health care facilities until the year vacations are taken. As well, the Plan does not fund or record the cost of post-employment benefits earned by employees of the health authorities and health care facilities until those post-employment benefits are paid. The total of the accrued vacation pay liabilities and post-employment benefits liabilities recorded by health authorities and health care facilities in their financial statements as at March 31, 2002 is approximately $181,000,000 (2001 - $168,000,000).

Note 3 - Funds Held in Trust re Debenture Trust Agreements

	2002	2001
	(thousands of dollars)	
Government of the Province of Manitoba	$32,419	$50,958
Government of the Province of B.C. – Bonds	17,910	17,910
	$50,329	$68,868

These funds are used for debt servicing related to the debentures referred to in Note 6, including any required sinking fund payments.

Note 4 – Regional Health Authorities

The following table summarizes payments to the Health Authorities. These payments are included in the financial statements in the expenditure categories of Health Authorities and Facilities and Medical.

Regional Health Authority	2002 Facilities (000's)	2002 Medical (000's)	2002 Total (000's)	2001 Total (000's)
Winnipeg	$1,127,609	$81,719	$1,209,328	$1,122,458
Brandon	102,637	5,430	108,067	96,351
North Eastman	27,114	2,666	29,780	24,725
South Eastman	36,687	2,929	39,616	35,145
Interlake	54,720	3,747	58,467	54,999
Central	99,453	8,373	107,826	98,651
Marquette	42,668	4,983	47,651	43,813
South Westman	41,181	4,554	45,735	42,371
Parkland	70,564	2,942	73,506	69,377
Norman	36,288	4,868	41,156	35,209
Burntwood	28,930	10,132	39,062	33,599
Churchill	6,152	308	6,460	5,648
Total payments	$1,674,003	$132,651	$1,806,654	$1,662,346

The expenditure category, Health Authorities and Facilities, in the Statement of Revenue and Expenditure and Net assets is comprised of the following:

	2002 (000's)	2001 (000's)
Health Authorities payments	$1,674,003	$1,543,785
Accruals and facilities and third party payments	172,624	207,557
Reciprocal recoveries	(26,637)	(25,988)
Total expenditures	$1,819,990	$1,725,354

The expenditure category, Medical, in the Statement of Revenue and Expenditure and Net assets is comprised of the following:

	2002 (000's)	2001 (000's)
Medical payments and accruals	$376,612	$355,649
Health Authorities payments	132,651	118,561
Other (Note 5)	15,792	13,468
Total expenditures	$525,055	$487,678

Note 5 - Medical

Included in medical expenditures are the following other health service expenditures:

	2002	2001
	(thousands of dollars)	
Optometric	$ 4,469	$ 3,868
Chiropractic	11,323	9,600
	$15,792	$13,468

Note 6 - Capital Financing

Hospitals and personal care homes obtain financing for capital projects by issuing debentures, or arranging for mortgages or long-term bank loans. The Hospital Capital Financing Authority approves the issue of all securities and assists in obtaining an orderly market for the sale of securities to finance these capital expenditures. This indebtedness is not reflected in the financial statements and is not guaranteed by the Manitoba Health Services Insurance Plan. Funds for the payment of principal and interest related to approved capital debt are included in the Plan's expenditures.

At March 31, 2002, the approved outstanding capital debt of hospitals and personal care homes was $615,121,000 (2001 - $575,445,000) net of accumulated sinking funds of $101,338,000 (2001 - $104,740,000). In addition to the approved outstanding capital debt, lines of credit up to $72,521,000 (2001 - $128,354,000) have been established to finance capital projects in process. On completion of these projects, the borrowings will be converted to long-term debt of the facilities.

Funds for the payment of principal and interest related to approved capital debt are included in the Plan's expenditures. For the year ended March 31, 2002, the amount related to principal and interest payments included in the expenditures for Health Authorities and Facilities was $96,750,000 (2001 - $91,425,000).

Note 7 - Provision for Long Term Disability Benefits

Provision for long-term disability benefits represents the Manitoba Health Services Insurance Plan's share of the estimated future benefits payments of the Manitoba Health Organization Inc. Long Term Disability Insurance Plan for employees of health care facilities covered under the plan.

This amount was established actuarially, as at December 31, 1999, by the insurer of the plan. The amount represents Manitoba Health's share of the estimated cost of future payments to participants, who were on the plan as of March 31, 1999, and continue to receive payments at March 31, 2002. This plan was replaced as of April 1, 1999. When recipients no longer require benefits, they are removed from the plan.

Effective April 1, 1999 a new method of funding long term disability benefits was implemented whereby the Regional Health Authorities are funded 1% of total salaries to cover the costs of the plan. All new claimants subsequent to April 1, 1999 are the responsibility of the Regional Health Authorities and the Healthcare Employees Benefits Plan (HEBP). The costs associated with the funding of this plan are included in the expenditure category of Health Authorities and Facilities.

Note 8 - The Public Sector Compensation Disclosure Act

The Schedule of Payments pursuant to the provisions of The Public Sector Compensation Disclosure Act is included as part of the financial statements.

Note 9 – Legal Actions

The nature of the Plan's activities is such that there may be litigation pending or in progress at any time. With respect to claims at March 31, 2002, no provision has been made in the financial statements as the final outcome of the claims is not determinable at this time.

Note 10 - Comparative Figures

Certain of the 2001 financial statement figures have been restated to be consistent with the 2002 presentation.

Manitoba Health Services Insurance Plan
The Public Sector Compensation Disclosure Act
Schedule of Payments for Fiscal Year Ended March 31, 2002

This Schedule of Payments is published in compliance with the provisions of "The Public Sector Compensation Disclosure Act".

The Act requires the publication of the name of every person who has received gross payments of $50,000 or more in the fiscal year for providing services to insured persons under The Health Services Insurance Act, and the amount paid to each.

Payments are reported under the name of the practitioner who provided the services, except for special arrangements when services provided by a group of practitioners are billed in the name of a single practitioner for administrative efficiencies. This type of billing arrangement is in place for radiology, laboratory and dialysis services in particular. As a result, some of the amounts shown have not been generated solely by the practitioner whose name is shown.

Persons reading these data should understand that:

- *The data provides only a record of gross payments made by Manitoba Health to the practitioner.*
- *A practitioner's net income may vary from the gross payments shown as costs of operating a practice must be paid from these gross payments.*
- *As total revenues and costs of practice vary significantly between specialty groups and between individual practitioners, net income can also vary significantly.*

Abdul-Nour K	$56,581
Abdulrehman A S	$197,999
Abell M E	$59,736
Abell N	$58,632
Abell W R	$149,332
Aboobaker S	$145,908
Adduri V R	$312,288
Adhikari P K	$61,245
Ahluwalia R S	$308,384
Ahmad S N	$54,682
Ahmed S N	$68,856
Ahsan A	$194,534
Ahweng A	$472,392
Ainley A	$98,017
Albak R E	$221,259
Albi F	$244,927
Aldor T A M	$89,500
Alevizos I	$106,468
Ali K R	$215,561
Ali M B	$428,079
Allan D R	$166,558
Allan R R	$134,893
Allegro N	$114,134
Allen D R	$61,834
Altman G N	$177,780
Alto L E	$327,994
Alvi A	$355,761
Alvi C W	$102,007
Amarasekera D V	$202,594
Amede K H	$211,544
Amin S M	$279,981
Anastasiades L	$108,846
Anderson A	$102,743
Anderson Brent R	$70,794
Anderson Brian	$88,678
Anderson D M	$119,734
Anhalt Hicks C	$272,686
Antonenko N	$159,272
Antonissen L A S	$283,997
Anyadike I O	$313,290
Aoki F Y	$61,531
Armstrong B	$294,396
Arneja A S	$291,423
Arneja J	$332,650
Arnot J B	$202,842
Arnott P C	$243,897
Ashcroft R P	$113,256
Ashique A	$74,539
Ashton M	$71,515
Assuras G N	$283,739
Athaide M	$194,672
Atkinson R	$202,069
Attallah G	$84,185
Azevedo J E	$114,783
Babick T R	$245,657
Badenhorst F	$51,890
Badenhorst J	$303,210
Badenhorst L	$67,483
Baidwan S K	$104,015
Baillie C	$227,853
Baker C	$254,266
Baker R	$59,864
Balachandra B	$157,421

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

(2) *Director of a radiology facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 16 for list of facilities).*

(3) *Billings for Dialysis services representing the work of more than one physician. (See page 17 for list of facilities).*

(4) *Director of a nuclear medicine facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 17 for list of facilities).*

Manitoba Health Services Insurance Plan
The Public Sector Compensation Disclosure Act
Schedule of Payments for Fiscal Year Ended March 31, 2002 ***(Continued)***

Balageorge D	$322,729
Balcha B	$68,423
Balko G	$178,420
Banmann D S	$173,139
Banno D Y J	$68,487
Barber L	$221,105
Barc J	$189,079
Bard R J	$189,862
Baria K	$286,161
Barker J L	$120,868
Barker M F	$318,160
Barker S L	$136,549
Barnes P H	$54,346
Baron C M	$196,042
Baron K	$275,056
Bartlett L C	$152,974
Bass M T	$52,372
Bay T	$163,381
Baydock B	$51,825
Beazley G	$52,000
Bebchuk W	$83,201
Becker A	$138,102
Beckstead J E	$168,630
Bedder P	$215,751
Bedi B	$267,570
Beldavs R A	$705,770
Bell D D	$89,577
Bellan L	$404,289
Bellan S	$102,687
Benoit A	$287,786
Bereznay O	$282,480
Bergen J	$198,602
Bergman E	$138,944
Bergner H	$228,682
Bermack B A	$273,315
Bernier M	$489,594
Bernstein C	$151,636
Bernstein K (3)	$976,871
Berrow P J	$146,274
Bertsch A	$229,209
Beveridge T F	$75,101
Bhattacharya S K	$192,438
Bhayana R K	$232,977
Bhayana R	$211,224
Bhayana V	$286,271
Biala B	$194,633
Biehl D	$193,541
Billinkoff E	$217,541
Bilos R J	$50,732
Birt D	$395,139
Bissonnette A	$229,227
Black D R	$309,923
Black G B	$243,622
Blakley B W	$142,027
Blank A	$158,602
Blatz C N	$50,332
Blight W J	$160,230
Blom C	$100,120
Blouw M C	$64,737
Blouw R H	$215,647
Blyth S	$228,223
Bobby B	$191,944
Bock G	$74,227
Boguski G	$60,361
Bohemier J	$91,879
Bohemier R	$109,774
Bolton D R	$235,511
Book B H	$80,621
Bookatz B J	$218,723
Booth F	$77,914
Booy H	$204,240
Borley J	$124,709
Boroditsky R S	$190,219
Borrett G F	$164,712
Borys A E	$106,753
Botha A	$83,622
Botha Daniel	$306,076
Botha U	$88,249
Bothma J	$160,150
Boult I F (2)	$2,128,998
Bourdon N	$58,036
Bourque C N	$261,058
Boustcha E	$93,956
Bow E	$60,059
Bowman M N	$78,683
Boyd K L	$119,748
Bracken J	$227,826
Bracken J H	$207,010
Bradley B D	$241,254
Brandes L J	$104,455
Brandt L	$63,610
Braun E	$170,640
Braun J	$160,296
Braun K Y	$99,107
Breckman D K	$268,740
Breckman G	$115,905
Bretecher G	$363,356
Bright R C	$175,120
Bristow G K	$72,867
Broda R J	$206,517
Brodovsky D M	$93,019
Brodovsky S	$371,842
Brooker G (2)	$182,908
Brown R	$251,895
Brown R E	$280,029
Brownell L	$185,459
Bruneau M R	$184,539
Bryski L M	$85,625
Bshouty Z	$53,199
Buchik G M	$80,296
Buchner E E	$108,880
Bueddefeld H D	$183,160
Buksak L A	$98,635
Bulloch R B	$168,047
Bunge M K	$102,845
Burger L A	$59,207
Burke M E	$206,328
Burnet N	$262,758
Burnett M	$327,697
Burnett M	$62,064
Calderon-Grande	$162,243
Calhoun L L	$101,265
Cameron A I	$129,299

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

(2) *Director of a radiology facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 16 for list of facilities).*

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002*(Continued)*

Cameron M R	$320,168
Campbell B	$113,163
Campbell G	$242,146
Caners D	$311,318
Caners T	$58,333
Cannon J E	$205,802
Canvin J M	$97,406
Caplan A H	$264,178
Caplan D C	$180,183
Cappellani R	$220,806
Carpenter N	$299,626
Carson J B	$222,515
Cartagena R	$264,346
Carter B	$60,505
Carter R	$251,105
Casey A R	$68,771
Castle K	$54,482
Caswell B	$77,771
Caulley E	$263,175
Cavallo D	$171,669
Cavett T	$74,746
Chalaturnyk R	$50,425
Champagne D	$69,009
Chan E K Y	$70,020
Chan E L	$171,217
Chan J J	$290,687
Chan K A	$339,857
Chan P	$99,446
Chan T	$247,565
Chang S W (1)	$1,748,676
Chapman S D	$290,473
Chapnick C	$157,507
Chartier Gerald	$54,517
Chatel N L	$118,071
Chenier D	$75,175
Chenier P	$88,850
Chernick M	$254,497
Cheung L K	$449,543
Chimilar J D	$73,268
Chin D	$621,742
Chlysta T S	$237,152
Cho P A	$227,404
Chochinov A	$57,233
Chochinov P H	$163,478
Chodirker B N	$83,002
Choptiany R B W	$198,501
Choptiany T I	$261,246
Chow C	$321,196
Chudley A E	$75,158
Chung L	$370,773
Clark M A	$108,336
Clark S G	$117,145
Clark S M	$124,494
Clarke W E	$153,894
Clayden G	$293,384
Cleghorn G M	$176,680
Cleghorn S	$490,575
Coates K R	$272,075
Cochrane D	$51,693
Cohen B A	$84,914
Cohen M A	$97,073
Cohen M	$253,658
Cohen-Postl S	$52,755
Cohn A	$63,869
Collins C	$77,770
Collison L M	$151,107
Collison S	$77,789
Collister C W	$314,858
Colmer L H	$63,973
Connor D	$343,704
Connor D H	$58,754
Connor G T	$132,865
Consunji-Aranet	$50,505
Corbett R P	$98,248
Corder D	$250,338
Cordova J L	$94,957
Corne R A	$99,069
Corne S I	$157,460
Corner F D	$109,036
Coueslan G W (2)	$687,279
Cowan D J	$353,860
Coyle S J	$183,593
Craig D	$112,384
Cram D H	$406,626
Craton N	$57,007
Crawford D	$174,368
Crawford G	$59,410
Cronin R J	$141,606
Cross H G	$70,600
Cross R	$266,978
Crow F M	$68,411
Cumming G	$56,615
Cummings M	$213,945
Czaplinski J	$118,169
Czaplinski K	$202,051
Czarnecka M	$158,915
Czarnecki W	$354,799
Da Silva H	$56,117
Da Silva L M	$198,589
Dabrowska W	$93,948
Dabrowski P	$327,329
Daeninck P J	$99,219
Daien A	$55,731
Dakshinamurti S	$309,869
Dalling G N	$117,836
Dang T H	$238,970
Daniel G	$82,480
Daniels J H	$167,712
Daniels V	$143,840
Danzinger R G	$78,142
Dashefsky S M	$285,573
Davey M	$243,363
Davey R J	$256,718
David M F	$326,206
Davidson J M	$271,481
Davis M H	$349,609
Davloor R	$232,682
De Korompay V	$348,143
De Moissac P	$167,385
De Rocquigny A J	$369,744
De Wet R R	$236,572
De Wit C F	$121,127
De Wit S L	$391,224

Explanatory Notes:

(1) Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).

(2) Director of a radiology facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 16 for list of facilities).

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Manitoba Health Services Insurance Plan
The Public Sector Compensation Disclosure Act
Schedule of Payments for Fiscal Year Ended March 31, 2002 *(Continued)*

Dean H	$62,037
Debrouwere R	$294,175
Decter A	$118,196
Decter D	$392,017
Dekker J J	$177,700
Del Rizzo D	$146,101
Delaive M	$274,060
Demsas H	$205,345
Deonarine L	$265,378
Deong P J	$217,277
Desmarais G P	$118,016
Desmond G H	$234,005
Deutscher R	$262,965
Dhalla S S	$897,353
Dhanjal P	$153,874
Dias Ernesto M	$194,679
Dionne C	$161,052
Dissanayake D	$184,246
Dittberner K	$113,933
Dizon A M	$135,847
Doak G J	$186,682
Doctorow V A	$110,921
Doermer E	$245,540
Doerr J J	$247,049
Dolynchuk K	$235,372
Dominique F	$344,874
Domke H	$245,343
Domke O	$174,254
Domke S	$194,625
Donnelly J P	$201,994
Dornn B	$58,241
Doroshenko S	$73,348
Doucet P M	$156,300
Downs A C	$224,329
Doyle E	$88,833
Doyle J	$263,691
Dressler G	$73,210
Drew E	$61,714
Drexler J	$232,535
Dreyer C	$69,803
Dreyer F	$184,566
Drobot G R	$113,702
Du Bois E	$157,541
Du J	$64,211
Du Plessis N	$57,140
Du Plooy J	$249,711
Du Toit L L	$121,997
Dubo Hy I	$213,186
Dubyna D	$324,268
Ducas D A	$73,424
Ducas J	$422,114
Ducheck D L	$60,360
Dueck D	$103,596
Duerksen C	$228,738
Duerksen D	$273,580
Duerksen F	$50,060
Duerksen K	$89,058
Duerksen M T	$218,720
Duff Brian D	$96,617
Duffy G	$193,218
Duggal K C	$329,427
Duke M J	$74,085
Duke P C	$122,410
Duncan S J	$248,268
Dunford D A	$52,225
Dupont J O (4)	$639,061
Duprat C	$149,429
Duval R	$118,604
Dyck D R (2)	$356,164
Dyck G H	$368,148
Eaglesham H (2)	$447,497
Ebbeling-Treon L	$161,803
Edye F	$56,147
Egan M M	$149,473
Eggertson D	$230,970
Ekins M B	$190,799
Elahiyoun K	$53,315
Eleff M K	$140,219
El-Gabalawy H S	$51,752
Elkin J	$234,724
Elkin M S	$214,333
Elkin M	$66,697
Elliott T C	$153,854
Elves E	$378,112
Embil J M A	$208,677
Emery C	$191,318
Eng S	$111,372
Engel C	$218,646
Engel J S	$338,448
Engel M	$51,719
Engelbrecht J	$139,076
Engelbrecht S	$194,026
Enns James P	$309,673
Enns M W	$50,979
Erhard P	$257,956
Eschun G M	$81,101
Esfahani F	$100,717
Esmail A	$421,661
Esquivel A	$164,214
Esser C M	$68,839
Ethans T	$103,524
Evans D R	$61,704
Evans M J	$67,551
Ewert F J	$263,757
Fair S E	$125,087
Falconer C W	$174,613
Falconer T	$53,776
Fast H	$57,848
Fast M D	$473,870
Feasey D	$100,907
Feierstein M	$142,539
Ferguson D A	$55,275
Fewer H D	$69,125
Fine A (3)	$1,105,073
Fishman L	$275,659
Fitzgerald M	$195,211
Fitzsimon J	$119,222
Fleisher M	$105,074
Fleisher W P	$54,146
Fleming F L	$108,329
Fleming S T	$52,822
Fletcher C W	$226,806
Foerster J	$50,881

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

(2) *Director of a radiology facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 16 for list of facilities).*

(3) *Billings for Dialysis services representing the work of more than one physician. (See page 17 for list of facilities).*

(4) *Director of a nuclear medicine facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 17 for list of facilities)*

Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002*(Continued)*

Fogel R B	$139,159
Fong H	$536,352
Fontigny N	$170,084
Forgach L G	$90,313
Fouad W	$95,746
Fournier M R	$154,391
Fox J D	$194,581
Frame H	$152,376
Fraser M B	$163,302
Fraser V H	$151,154
Fraser-Roberts D	$86,900
Frechette C	$72,570
Frederick D	$76,435
Fredette P	$157,858
Friesen F R	$304,823
Friesen J	$347,979
Friesen J A	$61,818
Friesen K L	$148,626
Friesen R M	$191,639
Froese W	$304,984
Frohlich A	$277,683
Fuchs G R	$257,225
Fumerton W R	$612,769
Fung H	$153,097
Furuiye H	$53,163
Fuzeta G	$161,271
Gabriel M	$203,433
Galbraith P A (1)	$2,199,455
Galessiere P F	$388,358
Gall R M	$289,642
Gallagher K	$144,165
Gallo J	$53,326
Garba S	$301,022
Garber L	$294,686
Garber P J	$117,631
Gard M A	$164,942
Geddes J S	$122,644
Gerber J D W	$143,400
Gerstner T	$223,293
Gertenstein R	$357,788
Giannouli E	$57,831
Giesbrecht D R	$271,357
Giesbrecht J E	$147,826
Gill E	$177,083
Gillespie B	$658,637
Gillespie J	$187,688
Girard J	$255,832
Glacken R P	$83,946
Glew W B	$52,628
Glezerson G	$294,247
Globerman D	$97,018
Gobeil J J G	$101,879
Godlewski W	$208,639
Godsalve V	$50,480
Goerz P G	$124,365
Goldberg N	$262,298
Goldenberg D	$349,997
Goldstine I	$29,772
Gomori A J	$155,424
Goodhand T K	$57,981
Goodman A E	$73,630
Goodman R L	$54,895
Gooi Teong H	$363,710
Gooi Teong L	$666,222
Goossen M	$321,950
Gordon J	$262,737
Gordon W L	$153,824
Gorski B A	$549,642
Gould L F	$210,803
Govender P	$233,184
Goytan M J	$419,289
Grabe W A	$147,928
Grabowski J	$237,415
Grace K J	$165,174
Graham B	$95,785
Graham C R	$282,856
Graham K	$105,443
Graham M R	$160,177
Graham R	$81,207
Grant L	$147,888
Graves D F	$113,009
Gray M G	$244,424
Gray R	$79,077
Grech E D	$225,924
Greenberg H	$105,821
Grenier D	$56,700
Grierson R	$66,456
Griffin P	$221,486
Griggs G	$222,965
Grimes R B	$122,854
Grobler W P	$175,695
Groves L	$243,018
Gudmundson C	$113,657
Guijon F B	$195,277
Gunson A J	$57,267
Gupta C K	$351,514
Gupta D K	$685,146
Gustafson R	$92,904
Guzman R	$394,567
Gwozdecki T	$297,006
Ha Francis T	$185,964
Hahlweg K	$69,659
Hai Md A	$237,197
Haiart D C	$299,195
Haligowski D	$183,348
Halkema E R	$71,835
Hall A D	$66,298
Hall P F	$122,841
Hallatt D	$126,654
Hamedani R	$263,702
Hameed K A	$271,177
Hamm R C	$119,497
Hammond G W	$63,229
Hampton C S	$152,810
Hancock B J	$210,407
Hanks G A	$71,275
Hanlon-Dearman A	$157,036
Hanmiah R	$127,550
Hansen J G	$156,117
Harding G K M	$107,328
Hardy B	$259,486
Haresha A	$174,007
Harley M J	$185,885

Explanatory Notes:

(1) Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002 ***(Continued)***

Harms S	$273,187
Harrington J	$130,492
Harris P	$552,998
Harrison W D	$130,687
Harsanyi I	$287,579
Hartley D M	$235,174
Hasan M	$62,426
Haseeb S	$58,457
Hawaleshka A	$294,341
Hawkins J	$68,515
Hayakawa J	$175,419
Haydey R P	$368,693
Hayward R J	$455,133
Hechtenthal N	$162,115
Hedden D R	$361,430
Hedden J R	$126,842
Heese H	$101,405
Heidenreich W	$169,207
Helewa M E	$392,974
Henderson L	$91,429
Henry S F	$241,245
Herbst J H	$79,785
Herd A	$104,316
Herman G	$50,858
Hershberg D M	$171,111
Hershfield E	$189,776
Hewat M	$100,085
Heywood M	$311,858
Hiebert T	$94,965
Hildahl C	$222,805
Hildahl W	$74,075
Hilderman L	$96,747
Hildes Ripstein	$54,927
Hitchon C	$68,062
Hobson D E	$268,750
Hoeppner W T	$240,156
Hoeschen L	$60,972
Hoff H R	$82,612
Holder F	$232,045
Holmes C	$92,326
Holt S C (2)	$229,508

Homik L	$570,940
Honiball J J	$77,117
Hooper W M	$242,087
Horne D	$155,342
Hosegood G	$65,230
Hosking D	$344,296
Howden W A	$272,303
Hoy C S	$120,680
Hrabarchuk B	$244,473
Hudson R J	$252,412
Huebert D M	$385,772
Huebert H T	$195,997
Hughes P M	$176,672
Hugo E P	$75,199
Humphreys K	$112,541
Hurst L D	$258,969
Husarewycz S	$286,685
Hussain M I	$509,381
Hutfluss G	$347,673
Ibbitt C J	$190,539
Ilchyna D C	$178,536
Iliffe G D	$197,063
Ilnyckyj A	$134,388
Ilse W K	$175,904
Ingimundson J C	$161,636
Inglis D	$264,948
Ingram P F	$202,211
Intrater H	$248,840
Ip A	$240,033
Irving J E	$320,072
Isaac C	$157,531
Isaacs R L	$171,168
Jacob V C	$605,657
Jain M	$431,564
Jain N K	$57,458
Jain S	$158,982
James J M	$354,276
Janzen L	$103,916
Jason M	$285,797
Jebamani S	$143,112
Jeffery J R	$104,910

Jenkinson D	$78,666
Jensen B	$85,394
Jensen C W B	$213,817
Jensen W L	$167,028
Jesson T	$51,315
Jeyakumar A	$125,834
Johannesson T	$122,418
Johnson A W	$61,499
Johnson C	$185,788
Johnson D	$319,070
Johnson E	$341,974
Johnson H	$158,868
Johnson M	$72,577
Johnston J B	$113,788
Johnston J	$106,027
Jolly K S	$420,052
Joshi D A	$126,126
Joshi J N	$249,326
Joundi M G	$261,006
Jovel R E	$155,689
Jowett A	$240,774
Kabani A M	$112,732
Kaethler W	$219,158
Kahanovitch D	$174,496
Kahlon K	$218,952
Kaita K D E	$167,484
Kalansky G	$193,791
Kalicinsky C	$187,349
Kandasamy G	$221,075
Kanji R	$79,717
Kantor D	$151,613
Kaprowy R	$136,327
Karlicki F	$174,195
Karpinski M	$59,336
Karvelas J P	$192,152
Karvelas L M	$50,205
Kashour T S	$345,297
Kasper K D	$144,441
Kassum D	$53,089
Kati A A	$187,192
Katz L	$122,500

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002*(Continued)*

Katz P	$154,859
Kaufman B J	$91,782
Kaufman R	$114,197
Kaushal Ravi D	$206,755
Kayler D E	$406,534
Keddy-Grant J	$98,316
Kehler T	$100,225
Kelleher B	$193,645
Kellen P	$155,310
Kellen R I	$414,108
Kemkaran K	$140,223
Kepron W	$140,615
Kerr L	$83,868
Kerr P D	$337,045
Kettner J	$63,948
Khan Ali H	$84,240
Khan A	$153,582
Khan N A	$96,124
Khan N M	$266,084
Khan T A	$198,529
Khandelwal A S	$220,222
Kimelman A L	$94,408
Kindle G F [2]	$199,730
King T D	$54,418
Kinnear D	$219,999
Kinsner J M	$125,863
Kippen R N	$268,441
Kish S L	$165,102
Kisil D	$80,099
Kjernisted K	$141,905
Klaponski S	$73,228
Klassen D H	$214,134
Klassen N F	$255,734
Klassen O	$126,847
Kliewer K	$173,677
Klippenstein N	$331,916
Kloppers S	$473,839
Klym K L	$61,585
Klym K	$214,860
Kobelka J D	$55,893
Koczanski R	$145,279
Koensgen S	$208,762
Koh C	$113,838
Kohanek F L	$71,345
Kolt A M	$145,055
Komenda B W	$206,245
Komosky J	$101,660
Kong A M C	$204,596
Korol G	$342,022
Kos G P	$64,250
Kotecha Y	$290,238
Koulack J	$451,467
Kousonsavath R	$186,777
Koven S	$160,554
Kovnats S	$69,103
Kowalchuk I J	$250,708
Kowalczuk M	$79,406
Kowall P	$53,084
Kowalski S	$188,332
Kozman H	$438,518
Krahn C	$194,814
Krahn H P	$366,430
Krahn J	$274,583
Krahn M	$63,814
Kraitberg N J	$136,625
Kramer M	$90,253
Kredentser J	$155,255
Kredentser S	$182,083
Kremer S	$98,331
Kreml J	$214,999
Krepart G	$207,819
Kristjanson M	$109,660
Kroczak T J	$325,947
Kroeker L R	$338,331
Kroeker M A [2]	$1,854,400
Kroft C D L	$100,913
Krongold I [2]	$1,158,673
Kruk R D	$78,742
Krzyzaniak K	$157,048
Kucheravy M	$86,642
Kucparic P	$174,481
Kuegle P F X	$243,759
Kumar A	$102,395
Kurtas T K	$62,193
Kwon M	$121,631
Lage K L	$138,601
Lagowski M	$271,319
Lam C C	$128,232
Lam D S C	$61,926
Lamb J A	$69,887
Lamba G	$58,523
Lambos S	$57,731
Lambrechts H	$199,053
Lander D A	$56,286
Lander M	$89,618
Lane E S	$171,872
Lang C	$242,100
Langan J T	$299,858
Langridge J	$86,297
Large G	$171,442
Larue L B	$167,678
Latosinsky S	$181,335
Lau Y	$211,138
Laurencelle R	$78,735
Lautatzis M	$79,744
Lautenschlager E	$68,106
Lawrence E T	$221,436
Lawrence P	$395,184
Lazar M H	$254,281
Lazarow N	$51,467
Le Boldus L A	$238,081
Le Roux B J	$383,191
Le Roux C	$123,746
Leader E	$63,592
Lebedin W W	$276,368
Ledger I C	$61,592
Lee B D	$67,965
Lee F F W	$343,234
Lee G Q	$178,749
Lee H B	$347,539
Lee J K	$67,854
Lee J	$146,198
Lee K	$141,564

Explanatory Notes:

(1) Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002 ***(Continued)***

Lee L	$51,954
Lee S	$468,453
Lee V K	$404,225
Lee-Kwen J	$318,405
Leen D A	$305,794
Lee-Wing M	$287,390
Lefevre G R	$226,986
Lei Benny T C	$295,905
Leicht R	$642,598
Lemoine G G	$245,086
Lemon P W	$296,110
Lerner N	$200,968
Leslie H	$71,071
Letts K	$55,312
Leung Shing L P	$196,030
Leung Wai M	$125,675
Levi C S	$431,004
Levin B L	$270,771
Levin H	$230,477
Levy B A	$179,726
Levy S B	$145,963
Lezack J D	$305,191
Li Wei	$162,155
Lieberman D	$201,743
Lim D S T	$95,952
Lim F	$545,550
Lim P	$127,913
Lindenschmidt R	$271,855
Lindquist L (2)	$412,670
Lindsay D	$50,509
Lindsay D J	$278,807
Lindsay G M	$242,806
Lindsay W	$174,983
Lint D W	$77,962
Lipinski G	$267,719
Lipnowski S	$466,361
Lipschitz J	$387,939
Lipson A H	$158,200
Littleford J	$125,305
Lloyd R L	$191,392
Loader K	$234,389
Lockman L	$364,010
Lockwood A	$270,042
Lodewyks G A F	$108,699
Loepp C	$114,730
Loewen S R	$97,521
Lofgren S R	$100,742
Logan A C	$383,740
Loge J M	$144,233
Loh C C	$102,648
Lohrenz J B	$57,742
Long A L	$695,125
Longstaffe A E	$243,560
Longstaffe S	$128,619
Lorteau G	$75,374
Lotocki R J	$328,325
Loudon M	$167,201
Louridas G	$385,073
Lovatsis D	$70,750
Love H W	$80,543
Lowden C S	$254,894
Lowther G H	$92,187
Lu P B	$138,429
Lucash S E	$194,412
Lucman L L (1)	$304,762
Lucman T S	$193,230
Lucy S	$287,153
Ludwig L	$139,055
Ludwig S	$140,037
Luitingh U	$115,096
Luk T L	$223,714
Lukie B J	$239,686
Lyons E A	$368,361
Lysack A M	$339,325
Lysack D A	$123,576
Lyttle D	$167,516
Mabin D	$252,670
MacDiarmid A	$115,411
MacDonald N	$181,561
MacDonald P	$313,264
MacDougall B	$111,295
MacDougall E	$94,107
MacDougall G	$252,785
MacEachern N	$233,493
Macek R K W	$154,904
MacFarlane C	$254,066
MacIntosh E	$227,224
Mackalski B	$261,956
MacKay M J	$66,085
MacKay Michael J	$63,168
MacKenzie G S	$219,402
MacKenzie S	$65,364
Macklem A K	$250,918
MacLeod B A	$183,959
MacMahon R	$280,660
MacMillan M B	$250,702
Macrodimitris A	$328,485
Maculewicz J	$54,229
Maguire D	$320,835
Maharaj C	$173,737
Maharaj G R	$169,806
Maharaj I G	$252,286
Mahay R K	$399,256
Maia E	$116,365
Maier J C	$211,376
Maier R J	$117,942
Major P (2)	$590,971
Maksymiuk A	$99,121
Malabanan E	$284,995
Malchy B A	$65,699
Mallick B	$113,239
Mallick K C	$93,358
Malmstrom J	$98,827
Manishen W J	$197,005
Manness R C	$168,563
Manswell C B	$227,747
Manusow D	$249,262
Marais F	$109,813
Marantz J	$84,378
Mare A C	$245,965
Mare J P	$50,105
Margolis N	$213,220
Marlatt W J	$69,049

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002***(Continued)***

Marles S L	$51,051
Marsh D W	$183,678
Marsh G	$62,306
Marshall K	$62,586
Martens B C	$105,221
Martens R	$205,120
Martin A G	$84,480
Martin D	$56,156
Marx T	$217,872
Matas M	$143,224
Mathen M K	$578,829
Mathieson A	$217,603
Mathison T L	$51,740
Matsubara T K	$271,299
Matthew T	$315,169
Maxin R	$60,880
Maxwell I	$259,460
Mayba I I	$184,880
Mayba J I	$353,673
Mccammon R J	$196,494
Mccarthy D S	$96,639
Mccarthy G	$425,799
Mccarthy T	$404,034
Mcclarty B	$96,198
Mcconnell M	$243,193
Mccullough D W	$112,760
Mcdowell J D	$242,932
Mcfadden L R	$158,360
Mcginn G	$494,245
Mcgowan A	$107,626
Mcgregor S	$216,383
Mcintyre I L	$217,110
Mckenzie T	$69,282
Mckiernan B	$306,306
Mcneill A M	$186,331
Mcphee J	$111,517
Mcpherson J A	$233,881
Mctaggart D L	$115,918
Mctavish G	$261,575
Mehta A	$153,728
Mehta P G	$267,966
Menard S L	$139,179
Menticoglou S	$442,052
Menzies R J	$343,801
Mestdagh B E	$93,497
Mestdagh L	$85,428
Mestdagh R	$80,076
Metcalfe C	$200,952
Meyrowitz D	$325,593
Mian M T	$177,592
Micflikier A	$1,084,786
Mihalcioiu C	$103,597
Milambiling E M	$182,778
Milambiling L C	$172,448
Millar T	$96,341
Miller A	$338,354
Miller D M	$308,215
Mills B J	$209,288
Milner J F	$448,184
Mina M M F	$175,276
Minnaar J	$154,773
Mintz S L	$64,281
Minuk DI	$62,493
Minuk E	$159,823
Minuk G	$64,122
Mirzanejad Y	$223,314
Mis A A	$263,981
Miskiewicz L	$97,631
Moddemann D	$140,605
Mohamdee J F	$139,418
Mohammed I	$237,154
Moharib N	$96,996
Moller E E	$142,483
Moltzan C	$97,520
Momoh J T	$426,555
Moncek J A	$169,955
Mondesir K R	$51,446
Monson R C	$360,193
Monteiro G	$295,391
Montgomery P	$87,667
Moolman Andre	$251,270
Mooney W R	$162,499
Moore R F	$85,429
Moorhouse J A	$150,593
Moraes F X N	$119,243
Moran De Muller	$396,835
Morgan T R	$301,103
Morier G S	$66,715
Moroz S P	$69,898
Morris A L	$215,136
Morris G S	$219,579
Morris Mt	$162,928
Morton P G D	$106,872
Mostert J	$188,601
Mould S M	$225,521
Mowat G	$140,432
Mowchun L	$82,505
Mowchun N	$172,929
Muirhead B	$202,854
Mulhall D	$57,653
Mulhall T	$51,952
Muller D H	$244,017
Muncner A	$113,616
Muncner P	$209,843
Mundle S	$64,051
Murphy L J	$133,597
Murray E	$120,628
Murray K	$454,174
Muruve G N	$256,277
Mutch W A C	$147,567
Myeni J	$129,065
Myers W E	$358,388
Mymin D	$138,801
Mysore M	$213,418
Nachtigal H	$70,493
Naidoo J (1)	$6,509,897
Naidoo S P (1)	$4,166,509
Nair U K	$320,457
Narotam P	$57,126
Narrandes R	$197,970
Narvas R M	$53,335
Narvey E B	$71,452
Nason R W	$200,197

Explanatory Notes:

(1) Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).

(2) Director of a radiology facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 16 for list of facilities).

(3) Billings for Dialysis services representing the work of more than one physician. (See page 17 for list of facilities).

(4) Director of a nuclear medicine facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 17 for list of facilities).

Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002 *(Continued)*

Naugler S	$161,109
Nehra P	$255,019
Nel A J	$136,701
Nelko S	$72,874
Nell A M	$304,046
Nemeth P	$277,425
Nepon J	$243,548
Neufeld H	$98,511
Newman F	$184,359
Nguyen K M	$161,497
Nguyen L	$279,481
Nguyen M H	$261,798
Nicholson D	$212,573
Nicolle L	$68,820
Niemand R	$60,747
Nigam R	$203,304
Nisbett S	$566,764
Noel C	$436,894
Nugent L M	$140,565
Nyhof H	$267,618
Nyomba B L	$108,929
Ochonska M	$285,426
Oelofse W	$175,589
Oen K G	$65,423
O'Hgan D B	$298,579
O'Keffe K	$162,137
Oliviero I	$57,499
Olson R L	$159,271
Olweny C L	$63,477
Olynyk F	$106,225
Omelan C K	$86,004
Omichinski L M	$278,220
Ong B Y	$176,204
Ong G H	$303,400
Onotera R	$217,332
Onyshko DI	$185,195
Oosthuizen J	$196,149
Opie C H	$53,174
Oppenheim E	$255,210
Ormiston J D	$218,732
Orr P	$55,188
Osler F G	$188,563
O'Sullivan M	$266,366
Pachal C A	$146,308
Pacin A	$115,770
Pacin O	$204,271
Padeanu D	$150,161
Padua R N	$281,889
Paetkau D	$229,791
Palaschuk G	$70,596
Pan A	$217,159
Panaskevich T	$318,194
Pang E G	$134,785
Paprocki I	$83,719
Paquin R W (2)	$629,382
Parham S M	$268,178
Parker K R	$221,489
Partridge G	$64,852
Pascoe E A	$414,810
Pasterkamp H	$77,589
Patel J	$145,592
Patel L R	$297,098
Patel Praful C	$320,679
Patel Pravin C	$369,953
Patel R C	$385,697
Patel S V	$209,918
Pawlak J	$188,260
Peabody D	$129,869
Peachell J L	$414,751
Pearlman D	$179,056
Pearson F B	$72,479
Pelissier R	$115,230
Penner S B (3)	$871,924
Penrose M	$243,571
Perkins G	$70,617
Perlov J	$111,729
Permack S	$206,601
Perrett M	$85,047
Peschken C	$57,203
Peterdy A E	$299,316
Peters D	$248,768
Peters H O	$162,754
Peters R J	$116,811
Peters S M	$74,036
Peterson C	$115,576
Peterson J	$228,817
Petkau A	$154,468
Petrilli L A	$154,257
Pickard K	$132,742
Pickering B	$300,945
Pierce G W (2)	$976,821
Pilat E J	$128,348
Pillay P G	$148,521
Pinder M	$174,513
Pinniger G	$119,193
Pintin-Quezada J	$241,080
Pirzada M A	$94,071
Plueschow M	$83,937
Podaima C	$60,725
Podolsky G R	$61,834
Poettcker R	$191,644
Polimeni C	$80,095
Polimeni J	$117,671
Pollock B	$289,463
Poon W W C	$203,227
Poplak T M	$320,717
Popoff D	$101,415
Pops H	$69,903
Postuma R	$163,855
Potoski J P	$278,504
Prakash D	$261,219
Prasad A	$58,079
Prasad B	$182,700
Prenovault J	$117,138
Pretorius A	$326,353
Pretorius L	$100,858
Pretorius L	$173,939
Price J	$255,092
Pritchard P	$93,265
Prober M A	$154,328
Prodan O	$129,632
Putnins C	$172,815
Puttaert D	$90,770

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

(2) *Director of a radiology facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 16 for list of facilities).*

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002*(Continued)*

Quesada R	$262,636
Raabe M A	$406,771
Rabson J L R	$777,478
Racette T	$130,099
Rae Peter E	$80,212
Rafiq M	$204,500
Rahman M	$200,381
Raizen M	$70,249
Raizman A H	$65,545
Rajani K R	$391,671
Ramgoolam R	$322,275
Ramsay D R	$70,759
Ramsay J A	$106,037
Regehr J	$189,031
Rehal R S	$223,223
Reich I M	$85,844
Reid G J	$197,941
Reimer D K	$138,380
Reimer D J	$134,471
Reimer H	$244,480
Reimer M B	$178,478
Reiss M	$55,772
Reiss M	$107,609
Rempel R G	$85,665
Rennie W R J	$133,597
Renouf F	$210,832
Rice P	$128,143
Rich A D	$257,730
Richardson C	$162,252
Riche B	$368,642
Ridley T S	$91,603
Ringaert K	$216,844
Riordan P	$192,131
Ripstein I	$110,385
Ritchie B A	$215,742
Ritchie J	$102,806
Rittenberg D	$314,547
Rivas J H	$115,892
Rivkin B	$71,855
Roberts J R	$223,769
Roberts M	$129,010
Robertson G A	$355,980
Robillard S C	$108,975
Robinson C	$130,318
Robinson D	$137,098
Robinson J	$382,312
Robinson W	$248,489
Rocha G	$644,693
Roche G	$185,636
Roe B E	$113,568
Rogozinska L	$311,423
Rosario R	$111,372
Rosenthal P	$110,346
Ross F J	$311,516
Ross F K	$97,949
Ross J F	$546,888
Rosser B G	$124,608
Rossouw J	$51,840
Rothova A	$211,741
Roux J G	$198,081
Roy M J	$136,917
Roy M	$97,632
Rubinger M	$69,503
Ruddock D L	$91,375
Rumbolt B R	$257,507
Rusen J B	$187,057
Rusen S	$69,781
Rush D N	$84,301
Rush N O S	$157,282
Rusnak B	$254,272
Russell B F	$205,236
Rust G	$91,983
Rust L	$69,054
Rutherford B	$71,131
Rutherford P	$52,610
Ryall L A	$56,917
Ryckman B A	$223,886
Saad N	$76,288
Saadia R	$132,791
Sabeski L M	$145,210
Sachdeva P (1)	$295,133
Sachdeva R	$265,277
Sadri D	$262,298
Saettler E	$73,322
Sahota S S	$83,141
Sahota S S	$98,008
Salamon E	$351,072
Saleem H	$71,243
Salem F	$392,412
Samuels E R	$108,496
Sanders R W	$105,248
Sandha G	$234,706
Sareen J	$83,535
Saunders C G (2)	$1,445,490
Saunders K	$138,365
Savage B	$204,615
Sawka A N	$281,198
Sawyer J A	$246,388
Scatliff J	$248,286
Schachter M	$89,467
Schaeffer D	$106,410
Schaub J C	$100,300
Schellenberg D	$99,015
Schellenberg W C	$312,504
Schledewitz I L	$79,741
Schmidt B J	$82,177
Schmidt D	$102,030
Schoeman H	$84,885
Schroeder A N	$285,722
Schur N K	$250,486
Scott-Herridge G	$51,615
Scurrah J D	$274,577
Seager M J	$331,434
Segstro R J	$226,563
Seguin A	$52,217
Seifer R	$88,900
Seitz A R	$176,291
Sekundiak T D	$381,750
Semenjuk M I	$133,410
Sen R	$311,423
Senderewich E	$122,234
Seshia S S	$155,447
Sethi K	$97,253

Explanatory Notes:

(1) Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002 ***(Continued)***

Sethi S	$325,135
Sevilla J A	$97,509
Sewell G	$153,538
Sewell S A	$268,119
Shadd J D	$60,746
Shah A	$193,359
Shah B	$278,721
Shah C M	$90,781
Shaikh N	$110,304
Shamsah M	$84,998
Shane F	$151,429
Shane M	$289,134
Sharif M N	$296,787
Shariff F K	$114,307
Sharkey J B	$317,650
Sharma S	$114,067
Shatsky M (2)	$334,439
Shelton L	$138,361
Shelton P A	$128,545
Sheps M	$173,125
Sheridan J T	$149,444
Shiffman F H	$327,183
Shing M	$91,842
Shnider M	$172,728
Shojania A M	$135,312
Shuckett P	$343,048
Shunmugam R	$126,677
Sickert H G	$142,203
Sigurdson E	$94,062
Sikora F J	$171,469
Silagy S	$253,317
Silver N A	$74,185
Silverman R	$253,337
Silviu-Dan F	$194,284
Simkin R	$145,424
Simm J F	$163,378
Simmonds C B	$142,358
Simonson D W	$199,004
Singer M	$119,995
Singer R	$151,516
Singh A	$228,046
Singh G B	$512,753
Singh G	$165,054
Singh J	$139,508
Singh M	$213,540
Singh-Rehsia D	$584,569
Sinha M	$412,300
Sinha S N	$513,444
Skakum K K	$110,387
Skead L	$329,901
Skelly S G	$212,332
Sloan G	$186,994
Smart J R A	$238,861
Smil E	$196,100
Smit C R	$195,685
Smith H W E	$418,221
Smith R G	$216,470
Smith R W	$205,473
Sochocka E K	$312,707
Sokal J E M	$115,352
Sokolowski D	$268,840
Sommer H M	$102,138
Soni N R	$216,797
Soni S	$235,022
Sowemimo A	$369,100
Spanihel J J	$82,458
Specht G C	$69,476
Speer M	$211,950
Srichandra W	$201,838
St John P D	$85,746
St Vincent A	$177,891
Stanko L	$245,685
Starzecki B	$182,595
Stearns E	$271,651
Stecher R D	$188,522
Stedman N	$63,661
Steigerwald R	$125,086
Steinberg F	$57,012
Steinberg R	$124,885
Steinberg S	$52,996
Stelzer J	$192,316
Stenhouse J K	$115,504
Stephensen M	$217,977
Stevens L	$313,283
Stewart G	$79,302
Stillwater R B	$212,070
Stimpson R	$84,412
Stitt G P	$64,539
Stitt R L	$59,626
Stitz M	$94,603
Storoschuk G	$201,781
Stuart T	$62,528
Sud Al K	$529,118
Sullivan M	$112,622
Susser M	$166,636
Sutherland D	$168,460
Sutherland E	$146,827
Sutherland J	$112,584
Sutherland S	$172,018
Sutter J A	$234,710
Sutton I R	$182,328
Svorkdal N	$191,901
Swain V J	$66,941
Swartz J	$238,769
Sweetland R	$90,848
Swenarchuk G	$86,319
Sylwestrowicz W	$312,500
Symchych M	$101,253
Syslak P H	$179,141
Syslak W B	$274,661
Szajkowski S	$188,036
Tam J W	$72,806
Tan L	$272,714
Tang-Wai R	$290,714
Tanner J	$250,679
Taraska V	$460,001
Taraska Victoria	$285,863
Taylor H R	$338,791
Taylor M J S (1)	$1,077,048
Taylor M C	$183,357
Taylor P D	$84,943
Taylor S N	$368,356
Tenenbein M	$85,682

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

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(4) *Director of a nuclear medicine facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 17 for list of facilities).*

Manitoba Health Services Insurance Plan
The Public Sector Compensation Disclosure Act
Schedule of Payments for Fiscal Year Ended March 31, 2002*(Continued)*

Tessier K	$52,529
Theodore G M	$244,388
Therrien D	$120,629
Thiessen M N	$157,111
Thiessen R	$55,592
Thompson R A	$72,932
Thompson T	$175,639
Thomson G T D	$157,843
Thomson I R	$240,259
Thorlakson D	$116,212
Thorlakson R H	$62,772
Thottingal A	$214,292
Ting D	$125,491
Tober A E	$67,555
Toews H A	$177,819
Toews K A	$88,318
Tole G D	$75,175
Tomchuk E	$289,830
Tomy H	$127,131
Tomy P	$276,636
Toofani R	$62,086
Toole J	$289,676
Toth J M	$54,378
Trainor J M (1)	$5,616,543
Tran C P	$261,790
Trepman E	$67,912
Tretiak W D	$87,226
Tsang D	$130,700
Tsang K F M (1)	$167,750
Tse W C	$206,280
Tsuyuki S H (2)	$282,020
Tulloch H	$167,950
Turabian M	$245,076
Turner D R	$357,531
Turner R B	$507,290
Ullyot G L E	$185,670
Ullyot S	$233,401
Unruh H W	$336,097
Vajcner A F	$319,710
Van Alstyne M	$285,710
Van Ameyde K	$125,971
Van Donkersgoed	$181,729
Van Dyk J	$97,373
Van Gend R	$152,750
Van Heerden J	$218,335
Van Horne W A	$240,693
Van Jaarsveldt W	$71,487
Van Niekerk S	$132,133
Van Rensburg D A	$218,092
Van Rensburg Nic	$71,186
Van Rensburg Nic	$130,118
Van Rensburg P D	$186,208
Van Rooyen G	$269,805
Van Rooyen M L	$290,142
Van Zyl S A	$130,049
Vandenberg W L	$257,490
Varma A	$340,816
Vasconcelos J A	$250,178
Vattheuer A	$91,921
Vattheuer F	$78,958
Venter H L	$208,125
Verma M R	$209,796
Verrelli M	$80,857
Vianzon C	$277,189
Vickar E L	$240,251
Vijay R	$215,381
Violago F	$150,674
Vipulananthan M	$57,665
Vipulananthan V	$66,386
Visch S H R	$101,264
Visser F	$123,124
Visser G	$224,791
Vivian A	$210,267
Wakeman M S	$62,441
Wallace S E	$140,513
Waller D J	$50,130
Walli J E	$338,761
Walterson K	$66,089
Wang J	$363,019
Warda L J	$74,005
Warraich N	$138,646
Warren C P W	$144,703
Warrian R K	$354,752
Warrian Wm G	$75,313
Warrington R	$198,179
Waters W R	$228,370
Watson J D	$132,007
Watson W T A	$142,104
Watters T	$55,116
Webb S	$106,439
Weidman M L	$268,801
Weirich M K	$243,565
Weizman S	$234,137
Welch G J	$170,297
Werier J	$251,789
Werner N H	$74,735
White B K	$286,708
White I W C	$263,484
White O J	$412,092
White S	$57,606
White V P	$80,596
Whittaker E	$79,700
Wiebe H L J	$158,254
Wiens A V	$252,246
Wiens J J	$554,013
Wiens J L	$526,923
Wiesenthal B D	$160,019
Wiesenthal Z	$224,193
Wightman H R (1)	$3,112,467
Wightman N A	$164,811
Wilken W	$137,391
Willemse Pieter	$224,020
Willemse Pieter	$636,397
Williams O R	$169,412
Williamson D	$77,233
Willows J R	$194,733
Wilson D	$68,493
Wilson G J	$127,771
Wilson G P	$167,241
Wilson M (2)	$318,552
Winistok W	$273,871
Winogrodzka C	$159,486
Winzoski T	$83,035

Explanatory Notes:

(1) Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002 *(Continued)*

Wirch M F	$118,368
Wiseman D G	$165,109
Wiseman M C	$127,328
Wiseman N	$296,401
Wiseman S M	$50,409
Woelk C	$148,415
Wolfe K B	$164,861
Wollner G P	$181,658
Wong H	$229,385
Wong K T J	$182,037
Wong R P W	$159,720
Wong S W C	$347,708
Wong T	$146,223
Woo C	$251,646
Woo N	$270,750
Woo V C	$387,250
Woods A K	$162,752
Woolf C I	$70,991
Wozney L R	$165,473
Yaffe C	$462,210
Yale R	$88,130
Yamamoto K	$281,126
Yamsuan M	$78,563
Yap Hanle O	$63,943
Yaren S	$83,258
Yeo L I (2)	$104,021
Yeung C	$296,126
Yip B	$178,003
Young D	$107,258
Young J D	$61,890
Young Mark R	$200,040
Young Scott K	$183,032
Yuen C K	$310,990
Zacharias G	$248,093
Zacharias J	$112,893
Zaki Magdy F	$293,570
Zeiler F	$343,362
Zetaruk M	$89,137
Ziesmann M	$760,538
Zimmer K W	$197,723
Zloty R B	$69,457
Zurbyk R	$84,007
Zywina P R	$199,949

Laboratory Directors and Facilities

Chang S W	Winnipeg Clinic

Explanatory Notes:

(1) *Director of a laboratory facility. Services may be provided by a group of practitioners, but are billed in the name of a single practitioner for administrative efficiencies. (See page 15 for list of facilities).*

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Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002*(Continued)*

Galbraith P	Manitoba Clinic
Lucman L	Provencher Medical Diagnostic Laboratory
Naidoo J	Central Medical Laboratory
Naidoo S	Southwood Laboratory Unicity Lab Services-McPhillips Street
Ross F J	Park West Medical Centre
Sachdeva P	Abbott Clinic
Taylor M J S	Western Medical Clinic The Brandon Clinic
Trainor J M	Medical Arts Building Windsor Park Medical Centre Lakewood Medical Centre
Tsang K F M	Norlyn Lab Service
Wightman H R	Assiniboine Clinic Lab

Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002 ***(Continued)***

Radiology Directors and Facilities

Brooker G	Abbott Clinic
Boult Ian F	Winnipeg Radiology Services - Medical Arts Building
	Winnipeg Radiology Services - Charleswood Clinic
	Winnipeg Radiology Services - Southwood Medical Centre
Couselan G W	The Brandon Clinic
	Clement Block Xray
Dyck D R	Bethel Hospital - Radiology Department
	Winkler Clinic
Eaglesham H	Manitoba Xray Clinic - Elmwood Branch
	Manitoba Xray Clinic – Fort Garry Branch
Holt S C	St. Vital Radiology Services
Kindle G F	Brandon Hospital Screening Program
Kroeker M A	Manitoba Xray Clinic - Dr Hildahl
	Manitoba Xray Clinic - Tache Branch
Krongold I	Tache Xray Service - Graham Avenue
	Norlyn Xray Department
	Assiniboine Clinic
	Parkview Xray Clinic - Main Street
	Seven Oaks Medical Centre
	Boyd X-Ray Clinic
Lindquist L	Winnipeg Clinic
Major P	Manitoba Clinic
Paquin R W	Transcona Clinic Xray
	Metro Xray Clinic - Rothesay
Pierce G W	Manitoba Xray Clinic - Westwood Branch
Saunders C G	Diagnostic Services Division
	Manitoba X-Ray Clinic
Shatsky M	Westbrook Medical Centre
	Drs Kaprowy, Krongold, Ng & Shatsky
	Lakewood Medical Centre
	McGregor Medical Centre
Tsuyuki S H	St. Boniface Clinic
Wilson M	Manitoba X-Ray Cinic – Misericordia Care Centre
Yeo L	Metro X-ray – Graham Avenue

Manitoba Health Services Insurance Plan

The Public Sector Compensation Disclosure Act

Schedule of Payments for Fiscal Year Ended March 31, 2002*(Continued)*

Dialysis Directors and Facilities

Bernstein K	Health Sciences Centre
Fine A	St. Boniface General Hospital
Penner S B	Brandon General Hospital
Bernstein K and Fine A	**Local Centres** Dauphin General Hospital Flin Flon General Hospital Morden Hospital Pine Falls Hospital Portage la Prairie Hospital The Pas Health Complex Thompson General Hospital

Nuclear Medicine Directors and Facilities

Dupont J O	Nuclear Medicine Consultants Winnipeg Clinic – Nuclear Medicine

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Members of The Manitoba Hospital
Capital Financing Authority

We have audited the balance sheet of The Manitoba Hospital Capital Financing Authority as at March 31, 2002 and the statement of income and expenditure for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and the results of its operations and the changes in its cash flows for the year then ended in accordance with the Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 14, 2002

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Balance Sheet
as at March 31, 2002

ASSETS	2002	2001
Current assets		
Accrued interest	$ 4,924	$ 7,057
Current portion of investments	42,000	42,000
	46,924	49,057
Investments, at cost, Schedule 1	55,000	97,000
	$ 101,924	$ 146,057
LIABILITIES		
Current liabilities		
Accrued debenture interest	$ 4,924	$ 7,057
Current portion of debentures payable, (Note 3)	42,000	42,000
	46,924	49,057
Debentures payable, Schedule 2	55,000	97,000
	$ 101,924	$ 146,057

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Statement of Income and Expenditure
for the year ended March 31, 2002

	2002	2001
Income		
Interest earned on investments	$ 16,806	$ 22,462
Expenditure		
Debenture interest	16,806	22,462
	$ 0	$ 0

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Schedule of Investments
as at March 31, 2002

	Interest Rate (%)	2002	2001
Serial debentures issued by:			
Selkirk Linen Services Inc.	13.625	$ 97,000	$ 139,000
Total Investments		97,000	139,000
Less: Current portion (Note 3)		42,000	42,000
Investments		$ 55,000	$ 97,000

THE MANITOBA HOSPITAL CAPITAL FINANCING AUTHORITY

Schedule of Debentures Payable
as at March 31, 2002

Series Number	Interest Rate (%)	Year of Maturity	2002	2001
5A	13.625	Nov. 15, 2002-2004	$ 97,000	$ 139,000
Total debentures payable			97,000	139,000
Less: Current portion (Note 3)			42,000	42,000
Debentures payable			$ 55,000	$ 97,000

1. Nature of the Authority

The Manitoba Hospital Capital Financing Authority was established by The Hospital Capital Financing Authority Act in June 1972. The objectives of the Authority are:

i) to approve the issuance of securities for capital expenditure by operators of health care facilities,

ii) to assist such operators by ensuring an orderly market for the sale of securities issued by health care facilities, and

iii) to purchase securities issued by health care facilities with money borrowed by the Authority where the health care facilities could not trade their securities on the open market.

Health care facilities include hospitals, non-profit personal care homes and other designated health care related service institutions.

2. Accounting Policy

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

3. Investment and Debentures Payable

The Authority's investments in various health facility debentures are entirely offset by debentures issued by the Authority to Government Agencies.

Annual principal repayments on debentures payable are as follows:

2003	$ 42,000
2004	$ 42,000
2005	$ 13,000

4. Financing Approvals

The Authority approved $177 million in long-term financing agreements made directly between the Province of Manitoba and various health care facilities during 2001-02 ($241 million in 2000-01).

5. Contributed Services

The Province of Manitoba provides administrative services at no charge to the Authority.

6. Statement of Cash Flows

These financial statements do not include a Statement of Cash Flows. In the opinion of management, the Statement of Cash Flows does not provide additional disclosure.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Housing and Renewal Corporation

We have audited the balance sheet of The Manitoba Housing and Renewal Corporation as at March 31, 2002 and the statements of operations, The Manitoba Housing and Renewal Fund (Deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 5, 2002

THE MANITOBA HOUSING AND RENEWAL CORPORATION
BALANCE SHEET
MARCH 31, 2002

ASSETS

	2002	2001
Cash (note 4)	$ 85,354,724	$ 93,973,982
Accounts receivable and accruals (note 5)	20,623,367	19,926,062
Loans and mortgages receivable (note 6)	175,399,637	179,078,936
Investment in land and housing:		
Housing projects (note 7)	315,229,631	321,439,470
Housing investment (note 8)	15,477,139	16,631,484
Land development costs (note 9)	748,046	1,097,473
Land (note 10)	12,218,236	12,369,734
	343,673,052	351,538,161
	$625,050,780	$644,517,141

LIABILITIES AND FUND BALANCE

	2002	2001
Accounts payable, holdbacks and accruals	$ 25,029,007	$ 37,937,621
Provision for modernization and improvement	15,537,599	23,436,720
Deferred revenue (note 11)	1,626,619	1,947,105
Long-term debt (note 12)	542,510,388	553,370,031
Risk reserve fund (note 13)	13,912,048	13,439,628
Deferred contributions (note 13)	43,741,784	31,715,339
The Manitoba Housing and Renewal Fund (Deficit)	(17,306,665)	(17,329,303)
Contingencies (note 22)		
Commitments (note 23)		
Guarantees (note 24)		
	$625,050,780	$644,517,141

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2002

	2002	2001
Revenue:		
Grants from the Province of Manitoba (note 14)	$ 28,279,676	$ 37,918,163
Contributed services (note 15)	6,346,700	6,388,100
Rental revenue (note 16)	59,082,098	58,487,598
Federal contributions	60,670,522	52,935,637
Interest:		
Loans and mortgages	17,665,791	18,624,654
Bank and other	234,931	125,015
	17,900,722	18,749,669
Sales of land - joint venture (note 9)	1,354,793	1,179,990
Other	6,794	90,630
	173,641,305	175,749,787
Expenditures:		
Housing operations (note 16)	95,551,448	101,408,632
Rental subsidies (note 17)	43,881,004	44,598,822
Grants and subsidies (note 18)	4,614,103	5,664,099
Interest expense (note 19)	19,628,888	20,087,228
Administrative services (note 15)	2,362,700	2,297,000
Gain on sale of housing projects and land	(71,567)	(68,090)
Provision for loss and write downs	122,548	464,394
Cost of land sales - joint venture	1,205,864	800,727
Repair/Renovation expense	5,732,737	201,978
Other	590,942	277,674
	173,618,667	175,732,464
Excess of revenue over expenditures	$ 22,638	$ 17,323

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF THE MANITOBA HOUSING AND RENEWAL FUND (DEFICIT)
YEAR ENDED MARCH 31, 2002

	2002	2001
Balance at beginning of year	$(17,329,303)	$(17,346,626)
Excess of revenue over expenditure	22,638	17,323
Balance at end of year	$(17,306,665)	$(17,329,303)

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2002

	2002	2001
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenditure	$ 22,638	$ 17,323
Add (deduct) items not involving cash:		
Amortization	8,786,630	8,116,667
Provision for loss and write downs	122,548	464,394
Gain on sale of housing projects and land	(71,567)	(68,090)
Federal subsidies - housing projects	(1,389,851)	(1,309,106)
	7,470,398	7,221,198
Net change in non-cash balances related to operations:		
Accounts receivable and accruals	(697,305)	2,522,869
Accounts payable, holdbacks and accruals	(12,908,614)	11,668,789
Provision for modernization and improvement	(7,899,121)	(2,781,983)
Deferred revenue	(320,489)	(30,309)
Deferred contributions	12,026,446	14,921,678
Land development costs	349,427	(415,569)
Land in joint venture	166,955	120,403
Risk reserve fund	472,420	970,251
	(1,339,883)	34,197,327
Financing activities:		
Borrowings	3,540,009	550,499
Repayment of borrowings	(14,399,652)	(18,074,740)
	(10,859,643)	(17,524,241)
Investing activities:		
Additions to loans and mortgages	(221,491)	(234,231)
Proceeds from sale of land and housing	19,340	204,197
Proceeds from repayment of loans and mortgages	3,782,419	3,674,861
	3,580,268	3,644,827
(Decrease)/Increase in cash	(8,619,258)	20,317,913
Cash at beginning of year	93,973,982	73,656,069
Cash at end of year	$85,354,724	$93,973,982

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2002

1. Authority

The Manitoba Housing and Renewal Corporation (MHRC) operates under the authority of The Housing and Renewal Corporation Act, being Chapter H 160 Revised Statutes of Manitoba 1987. The purposes and objects of the Act are:

a) to ensure that there is an adequate supply of housing stock in Manitoba;

b) to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income and those with specialized needs;

c) to maintain and improve the condition of existing housing stock; and

d) to stimulate and influence the activities of the housing market to the benefit of Manitobans as a whole.

MHRC is under the management and control of a Board of Directors appointed by the Lieutenant Governor in Council. The board shall consist of not fewer than five members and not more than 13 members and the Lieutenant Governor in Council may designate one of the members of the board as chairperson and one member as vice-chairperson.

The Corporation is economically dependent on the Government of the Province of Manitoba.

These financial statements include, in note 16, the operating results of MHRC owned properties which are managed by The Manitoba Housing Authority (MHA). MHA was incorporated in 1992 as an agency of MHRC.

MHA is under the management and control of a Board of Directors who are appointed by the Minister of Family Services and Housing.

2. Significant accounting policies

a) Basis of accounting

The Corporation's financial statements are prepared using the accrual basis of accounting.

b) Loans and mortgages receivable

Loans and mortgages receivable are valued at principal amounts less an allowance for loan impairment.

c) Loan forgiveness

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. The Corporation records an asset valuation allowance equal to the amount of the loan at the time the loan is granted. As forgiveness conditions are met by the borrower, the Corporation records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance.

d) Allowance for loan impairment

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans and mortgages receivable to their estimated realizable amounts. Depending on the program under which the loan or mortgage is made, estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans or the appraised value of the project financed by the loan or mortgage.

Specific allowances are established for individual loans and mortgages for which the estimated realizable amount is less than the carrying value. The Corporation does not provide any additional non-specific, general provision for loan impairment. The Corporation's Board of Directors has approved a policy which defines whether an individual mortgage or loan balance is to be considered impaired based on the time period that it has been in arrears.

e) Housing projects and amortization

i) Social housing projects are valued at cost less accumulated amortization.

ii) Market housing projects are valued at the lesser of cost less accumulated amortization and net realizable value.

iii) Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction.

iv) Housing projects which are declared abandoned or surplus to the needs of the Corporation are valued at the lesser of cost less accumulated amortization and net realizable value.

v) Amortization of housing projects is based on the actual principal repayment of the long-term debt. This policy is similar to that followed by Canada Mortgage and Housing Corporation (CMHC). Amortization for projects built under the Rural and Native Housing Program is based on the imputed principal repayment equivalent to that of 100% long-term debt financing with CMHC.

f) Housing investment

Housing investment is valued at cost less accumulated amortization. Annual amortization is equal to the annual principal repayment of the imputed long-term debt as determined by the terms of the Social Housing Agreement with CMHC.

g) Interest in joint venture

The interest in joint venture is recognized using the proportionate consolidation method. Proportionate consolidation is a method of accounting and reporting whereby MHRC's prorata share of each of the assets, liabilities, revenues and expenditures of the joint venture is combined on a line by line basis with similar items in MHRC's financial statements.

h) Land

Land is valued at the lower of cost and appraised value adjusted for estimated disposition costs, except for land leased to co-operatives. Cost includes acquisition costs and related carrying costs. The carrying costs of the land, which include interest, planning and development costs, grants in lieu of taxes, less revenue derived from use of undeveloped land, were capitalized to land to March 31, 1993. Effective April 1, 1993 the carrying costs are charged annually to operations. Cost for land acquired after March 31, 1993 consists of the original purchase price.

Land leased to co-operatives is valued at original cost. The Corporation incurs no liabilities or obligations with respect to the lessees' buildings situated on the land. The carrying costs of the land, net of lease revenue, are charged annually to MHRC operations.

i) Interest capitalization

Interest costs on financing related to housing projects and housing investments are capitalized to the date of completion.

j) Pension costs and obligations

Current service contributions for MHA employees are recognized as operating expenses. The Corporation has no further liability associated with the annual cost of pension benefits earned by employees.

k) Contributed and administrative services

Under an agreement entered into between The Manitoba Housing and Renewal Corporation and the Department of Family Services and Housing, in 1984, the Department provides administrative services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenditure.

l) Modernization and improvement

Significant, non-recurring modernization and improvement costs, which have been funded by designated revenues, have been accrued in the same period that such designated grant or subsidy revnues were approved by the funder and recorded by MHRC. As such costs are incurred, the provision for modernization and improvement is drawn down. Normal, recurring repairs and maintenance costs, which are funded by annual grant and subsidy revenues are expensed in the preiod in which they are incurred.

m) Financial instruments

i) Financial Risk

Financial risk is the risk to the Corporation's operations that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Corporation does not use derivative instruments to reduce its exposure to interest risk. This risk is mitigated through the almost exclusive use of fixed rate terms for its mortgages and loans receivable and its long-term debt.

ii) Credit Risk

Credit risk arises from the potential that a counterparty to an agreement with the Corporation will fail to perform its obligations. The Corporation conducts an assessment of credit issues prior to committing to such agreements and it actively monitors the credit risks associated with its accounts receivable and loans and mortgages receivable on an ongoing basis.

iii) Fair Value

There is no secondary market for many of the financial assets in which the Corporation invests or for the debt it issues. These circumstances, together with the uncertainty and potentially broad range of outcomes pertaining to the future cash flows related to these items, render the calculation of fair values, with appropriate reliability, impractical.

3. Acquisition of Control of Social Housing Operations

Pursuant to the Social Housing Agreement executed by MHRC and CMHC on September 3, 1998 which took effect October 1, 1998, CMHC transferred its ownership interest in Public Housing Projects to MHRC in accordance with a Declaration of Trust, and MHRC has assumed sole responsibility for operating policy decisions relating to these projects. Previous agreements provided for the two parties to exercise joint control over operating policies. Rental subsidies provided through agreements with third parties for which MHRC has assumed responsibility are included in note 17.

4. Cash

	2002	2001
On deposit with the Minister of Finance:		
Trust deposits	$58,766,618	$60,355,961
Modernization and improvement fund	17,668,995	17,068,682
Risk reserve fund (note 13)	13,912,048	13,439,628
Mobile home loan guarantee program fund (note 24)	770,355	744,539
Security deposits	96,760	103,180
Noon meal program	127,390	123,062
	91,342,166	91,835,052
Bank	(5,995,947)	2,130,880
Petty cash	8,505	8,050
Cash	$85,354,724	$93,973,982

5. Accounts receivable and accruals

	2002	2001
Canada Mortgage and Housing Corporation	$ 3,797,282	$ 871,535
Government of the Province of Manitoba and its agencies	8,914,002	12,350,200
Rent receivables - net of allowance of $3,401,594 (2001 - $2,082,140)	1,100,447	795,158
Accrued interest on loans and mortgages receivable	667,244	930,036
City of Winnipeg - net of allowance of $125,210 (2001 - $125,210)	42,950	220,639
Other - net of allowance of $57,270 (2001- $57,270)	6,101,442	4,758,494
Accounts receivable and accruals	$20,623,367	$19,926,062

6. Loans and mortgages receivable

a) Composition of loans and mortgages receivable

	2002	2001
Federal/Provincial Housing:		
Private Non-Profit Housing Program	$112,296,052	$113,381,161
Rural and Native Housing Program	99,500	146,271
Urban Native Housing Program	41,213,346	42,492,800
	153,608,898	156,020,232
Market Rental Programs:		
Co-operative HomeStart Program	8,335,838	8,390,211
Co-operative Index Linked Program	9,385,504	9,663,683
Manitoba Rural RentalStart Program	589,176	599,214
Manitoba Senior RentalStart Program	5,470,354	5,570,500
	23,780,872	24,223,608
Other Programs:		
Community Residences Program	6,984,870	7,509,448
Market Homeowner Programs	352,810	449,817
Homeowner Rehabilitation Programs	312,671	416,291
Other	112,573	162,327
	7,762,924	8,537,883
	185,152,694	188,781,723
Less - allowance for loan impairment	9,753,056	9,702,787
Loans and mortgages receivable	$175,399,637	$179,078,936

Loans and mortgages receivable bear interest at various rates between 2% and 13.5% with maturities at various dates to 2024.

In addition to the loans and mortgages above, forgivable loans outstanding in the amount of $6,143,941 (2001 - $6,502,493) have been approved in accordance with the terms of the loan agreements. An asset valuation allowance equal to the amount of outstanding forgivable loans has been recorded by the Corporation.

b) Allowance for loan impairment

The allowance for loan impairment is comprised of the following specific provisions:

	2002	2001
Market rental programs	$9,608,497	$9,534,814
Other programs	144,559	167,973
	$9,753,056	$9,702,787

7. Housing projects

	2002	2001
Completed Housing Projects:		
Original cost	$403,753,111	$403,851,136
Less - financing provided by CMHC	17,506,790	18,896,641
	386,246,321	384,954,495
Less - accumulated amortization	71,016,690	63,515,025
Housing projects	$315,229,631	$321,439,470

8. Housing investment

Housing investment represents MHRC's share in social housing projects, which until October 1, 1998 were administered by CMHC and subsequently have been administered by MHRC, under the Rural and Native Housing Program.

On September 3, 1998, MHRC and CMHC executed a Declaration of Trust by which CMHC has transferred their ownership interest in cost-shared and 100% CMHC funded Public Housing projects to MHRC, as trustee. MHRC's interest in these projects will be earned over the remainder of each project's CMHC subsidy commitment period, in amounts which will correspond to the annual amortization of the assets. No increase in housing investment has been recorded by MHRC.

9. Joint venture

The Corporation contributed 179 acres of land, at appraised value, to a joint venture with Ladco Company Limited on May 11, 1989. The appraised value of the land at that time, adjusted for subsequent sales, was $2,498,349 (2001 - $2,665,304) and is included in joint venture land in note 10. The joint venture activities include the servicing, development and sale of approximately 476 acres of land in the City of Winnipeg, Manitoba. In accordance with the terms of the agreement, the Corporation has provided loan guarantees for the purposes of the joint venture development in an amount not to exceed $2,400,000 (note 24).

The following is a summary of the Corporation's pro rata share of the assets, liabilities, revenues and expenses of the Ladco Company Limited joint venture.

	2002	2001
Current Assets:		
Cash and short term investments	$ 529,819	$ 459,311
Accounts receivable from land sales	1,163,324	1,020,285
	1,693,143	1,479,596
Long Term Assets:		
Development in progress	748,046	1,097,473
Total Assets	$2,441,189	$2,577,069
Current Liabilities:		
Accounts payable and accrued liabilities	518,645	844,986
Total Liabilities	518,645	844,986
Net Assets	$1,922,544	$1,732,083
Sales of land	$1,354,793	$1,179,990
Cost of land sales	1,038,909	680,323
Gross margin	315,884	499,667
Expenses:		
Interest on bank indebtedness	4,754	4,551
General	76,375	54,448
Other	44,560	51,812
Total expenses	125,689	110,811
Net income for the year	$ 190,195	$ 388,856

10. Land

	2002	2001
Under development	$ 156,710	$ 187,210
Future development or sale	7,828,785	7,782,828
Leased to co-operatives	1,734,392	1,734,392
Joint ventures	2,498,349	2,665,304
Land	$12,218,236	$12,369,734

11. Deferred revenue

	2002	2001
Manitoba Housing Authority tenant prepaid rent	$1,513,217	$1,817,522
Other prepaid land lease and subsidy contribution received in advance	113,402	129,583
Deferred revenue	$1,626,619	$1,947,105

12. Long-term debt

	2002	2001
Government of the Province of Manitoba:		
Advances, convertible to long-term advances, at prime interest rates	$1,066,428	$ 1,346,670
Long-term advances, at interest rates from 6.125% to 13.375% maturing at various dates to 2030 and requiring annual principal and interest payments of $39,296,260 (2001 - $40,628,193)	350,590,555	354,046,501
Canada Mortgage and Housing Corporation:		
Long-term advances, at interest rates from 5.75% to 11.00% maturing at various dates to 2030 and requiring annual principal and interest payments of $15,191,114 (2001 - $15,460,380)	188,428,713	195,522,698
Mortgages payable (assumed on property acquisitions), at interest rates from 5.125% to 9.625% maturing at various dates to 2030 and requiring annual principal and interest payments of $254,440 (2001 - $254,440)	2,424,692	2,454,162
Long-term debt	$542,510,388	$553,370,031

Principal repayments on the long-term debt are estimated as follows:

2003	$ 9,643,935
2004	10,423,154
2005	11,265,332
2006	12,175,557
2007	13,159,327
Subsequent to 2007	485,843,083
	$542,510,388

13. Deferred contributions and risk reserve fund

Pursuant to the Social Housing Agreement executed by MHRC and CMHC, CMHC will pay fixed annual contributions to MHRC for individual housing projects over the remainder of the CMHC subsidy commitment period. The Agreement took effect October 1, 1998 and has a funding expiration date of August 31, 2031. The Agreement provides that a specified amount of the annual federal contributions must be applied toward housing programs, which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs is similarly specified. Unexpended federal contributions are carried forward by MHRC for future use, but such contributions must be fully used, in accordance with the Agreement, by the funding expiration date of August 31, 2031.

Pursuant to the Social Housing Agreement dated September 3, 1998 between CMHC and MHRC, CMHC made a one-time payment of $12,700,000 to MHRC in 1999. This amount was provided for the purpose of mitigating future operating risks associated with MHRC's financial responsibility for housing programs transferred from CMHC pursuant to the Agreement. This amount has been recorded as a risk reserve fund and is increased by interest earned thereon and is reduced as the Corporation incurs expenses as a result of the identified risks.

14. Grants from the Province of Manitoba

	2002	2001
Department of Housing:		
MHRC operating programs	$24,022,400	$32,780,700
Grants and subsidies	3,657,528	4,239,346
	27,679,928	37,020,046
Grants recovered from the Department of Finance:		
Pensioner Tenant School Tax Assistance Program	599,748	628,117
Grants recovered from the Department of Intergovernmental Affairs:		
Winnipeg Development Agreement, Housing Assistance for High Risk Groups	-	270,000
Grants from the Province of Manitoba	$28,279,676	$37,918,163

15. Contributed and administrative services

	2002	2001
Administrative services provided by the Department of Family Services and Housing were allocated as follows:		
- included in the Statement of Operations	$2,362,700	$2,297,000
- included in administration expenditure in note 16, Manitoba Housing Authority Housing Operations	2,047,300	2,248,500
- included in administration expenditure in note 16, Sponsor Managed Housing Operations	313,600	364,400
- included in funding provided to not for profit housing corporations, in note 17	1,450,300	1,307,200
- included in funding provided to private landlords, in note 17	172,800	171,000
Total Department of Family Services and Housing administrative services provided	$6,346,700	$6,388,100

16. Housing operations

The management and operation of all MHRC social housing projects are the responsibility of the Manitoba Housing Authority and sponsor managed groups. Their operating results are:

	Manitoba Housing Authority Managed	Sponsor Managed	2002	2001
Revenue				
Rental revenue	$47,214,749	$11,867,349	$59,082,098	$ 58,487,598
Expenditure				
Administration (note 15)	12,137,459	1,620,274	13,757,733	13,247,775
Property operating	29,117,534	6,465,014	35,582,548	40,886,085
Grants in lieu of taxes	8,600,677	1,453,696	10,054,373	10,948,436
Amortization and interest	30,406,180	5,750,614	36,156,794	36,326,336
	80,261,850	15,289,598	95,551,448	101,408,632
Operating loss	$33,047,101	$ 3,422,249	$36,469,350	$ 42,921,034

17. Rental Subsidies

The Corporation is obligated to provide ongoing rental subsidies under third party operating agreements.

The net rental subsidies required by these organizations are:

	2002	2001
Not for profit housing corporations	$26,513,356	$27,159,361
Co-operative housing corporations	3,946,284	4,012,319
Private landlords	4,728,139	4,763,364
Property management agreements	8,693,225	8,663,778
Net rental subsidies	$43,881,004	$44,598,822

18. Grants and subsidies

	2002	2001
Shelter Allowance for Family Renters	$ 807,757	$ 920,322
Shelter Allowance for Elderly Renters	2,849,771	3,319,024
Pensioner Tenant School Tax Assistance	599,748	628,117
Renovation and Repair Programs	169,509	293,376
Co-op Homestart Program	187,318	233,260
Winnipeg Development Agreement, Housing Assistance for High Risk Groups	-	270,000
	$4,614,103	$5,664,099

19. Interest expense

In addition to the interest expense of $19,628,888 (2001 - $20,087,228), interest expense in the amount of $29,965,464 (2001 - $30,433,220) is included in note 16 in the amortization and interest expenditure.

20. Pension obligations

Employees of The Manitoba Housing Authority are eligible for pensions under the Manitoba Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires The Manitoba Housing Authority to contribute an amount equal to the employees' contribution to the Superannuation Fund for current services. Such payments are charged to operations as incurred and MHRC has no further liability associated with the annual cost of pension benefits earned.

Pension expense recorded for the year ended March 31, 2002 is $414,516 (2001 - $411,673).

21. Severance pay benefits

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees. The amount of this estimated liability is determined using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 22 or 15 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of $877,105 from the Province of Manitoba, which is an amount that is equal to the estimated liability recorded for accumulated severance pay benefits at March 31, 1998.

This receivable from the Province of Manitoba has no terms of repayment and accordingly, the amount of this receivable will remain fixed at $877,105.

22. Contingencies

The Corporation is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Corporation. Any settlement will be recognized in the year the settlement occurs.

23. Commitments

The Corporation has the following commitments as at March 31, 2002.

a)	Housing project modernization and improvement	$1,259,591
b)	Repair and renovation expenditures	$8,400,375
c)	Grants and subsidies:	

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is now fully responsible for the funding commitments of all Social Housing Projects in Manitoba. These commitments will expire on a staggered basis over the period ending 2031, concurrent with the Social Housing Agreement funding expiration date of August 31, 2031. An estimate of these commitments for each of the next five years is as follows:

2003	$24,395,918
2004	34,240,360
2005	35,517,100
2006	36,138,151
2007	36,719,096

24. Guarantees

The Corporation has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts. The outstanding guarantees are as follows:

	2002	2001
Joint Venture Investment Guarantee (note 9)	$2,400,000	$2,400,000
Mobile Home Loan Guarantee Program	1,531,449	2,134,165
Rural Mortgage Lending Program	3,882	8,114
Other mortgage guarantees	807,166	1,274,008
Total guarantees	$4,742,497	$5,816,287

A guarantee fee of 2 1/2% is charged for each mortgage under the Mobile Home Loan Guarantee Program. The assets of the Mobile Home Loan Guarantee Program as at March 31, 2002 are $770,355 (2001 - $744,539) and are included in cash (note 4). The trust fund liability is included in accounts payable.

25. Comparative figures

Certain comparative figures in the financial statements have been restated to conform with the presentation of the current year.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Trade and Investment Corporation

We have audited the balance sheet of the Manitoba Trade and Investment Corporation as at March 31, 2002 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 21, 2002

MANITOBA TRADE AND INVESTMENT CORPORATION
BALANCE SHEET
MARCH 31, 2002
(With Comparative Figures for 2001)

	2002	2001
ASSETS	$	$
Current Assets:		
Cash on deposit with Province of Manitoba	780,567	888,382
Accounts Receivable - Trade	54,829	7,567
Accounts Receivable - Province of Manitoba	888,977	2,303,203
Accounts Receivable - Other	-	70,622
Total Current Assets	1,724,373	3,269,774
Funding Commitment - Province of Manitoba (Note 5)	-	24,244,242
Long-term Investment - Faneuil ISG Inc. (Note 3)	-	1
Total Long-term Investments	-	24,244,243
TOTAL ASSETS	1,724,373	27,514,017
LIABILITIES AND RETAINED EARNINGS		
Current Liabilities:		
Accounts Payable - Trade	22,507	15,819
Accounts Payable - Province of Manitoba	888,977	2,534,497
Deferred Revenue (Note 6)	111,910	44,658
Total Current Liabilities	1,023,394	2,594,974
Long-term Liabilities:		
Operating Advance Payable	500,000	500,000
Loans Payable to the Province of Manitoba (Notes 4 and 5)	-	24,244,242
Total Long-term Liabilities	500,000	24,744,242
TOTAL LIABILITIES	1,523,394	27,339,216
RETAINED EARNINGS	200,979	174,801
TOTAL LIABILITIES AND RETAINED EARNINGS	1,724,373	27,514,017

See accompanying notes to financial statements.

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2002
(With Comparative Figures for 2001)

	2002 $	2001 $
Income:		
Participation Fees (Note 2)	169,678	140,494
Contract Fees Recoveries - Industry, Trade and Mines	444,525	434,202
Licence Fees Revenue	75,184	-
Expenses Recovered from Industry, Trade and Mines - Faneuil ISG Inc.	888,977	2,306,448
Total Income	1,578,364	2,881,144
Expenses:		
Program Expenditures (Note 2)	144,367	79,792
Audit Fees	8,520	7,245
Contract Fees	434,696	426,786
Guarantee Fees	96,977	121,221
Interest	792,000	2,181,982
Miscellaneous	442	246
Licence Fees	75,184	-
Total Expenses	1,552,186	2,817,272
Net Income (loss) for the Year	26,178	63,872
Retained Earnings, beginning of year	174,801	110,929
Retained Earnings, end of year	200,979	174,801

See accompanying notes to financial statements.

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2002
(With Comparative Figures for 2001)

Operating Activities	2002 $	2001 $
Net Income (Loss) for the year	26,178	63,872
Changes in operating assets and liabilities		
Accounts receivable - trade	(47,262)	(6,361)
Accounts receivable - Province of Manitoba	1,414,226	22,795
Accounts receivable - other	70,622	20,785
Accounts payable - trade	6,688	(2,620)
Accounts payable - Province of Manitoba	(1,645,520)	(26,041)
Deferred revenue	67,252	(85,834)
Net cash flow from (to) operating activities	(107,816)	(13,404)
Investing Activities:		
Decrease in long-term investment - Faneuil ISG Inc.	1	-
Net cash flow from (to) investing activities	1	-
Financing Activities:		
Increase in Funding Commitment from the Province of Manitoba	24,244,242	-
Decrease in Loans Payable to the Province of Manitoba	(24,244,242)	-
Net cash flow to (from) financing activities	-	-
Net decrease in cash	(107,815)	(13,404)
Cash and term deposits, beginning of year	888,382	901,786
Cash and term deposits, end of year	780,567	888,382

See accompanying notes to financial statements.

MANITOBA TRADE AND INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2002

1. Nature of Operations and Economic Dependence

The Manitoba Trade and Investment Corporation (the Corporation) was formed by an Act of Legislation in 1974. The object of the Corporation is to encourage, develop and increase Manitoba exports and trade. The Corporation's primary emphasis is to connect Manitoba businesses with emerging export opportunities.

The Corporation is economically dependent on the Department of Industry, Trade and Mines of the Government of Manitoba as all project shortfalls and deficits incurred by the Corporation are recovered from the Department.

2. Significant Accounting Policies

a. Basis of Presentation

The Corporation's financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b. Participation Fees and Program Expenditures

Participation Fees and Program Expenditures are recognized as revenue or expense in the same period that the shows, seminars and projects sponsored by the Corporation are actually held. Fees received in advance of event days are reflected as deferred revenue.

c. Administrative Expenses Paid By The Province of Manitoba

No amount has been reflected in the financial statements for office space and other administrative services provided to the Corporation by the Department of Industry, Trade and Mines.

3. Long-Term Investment Faneuil ISG Inc.

On August 24, 1994, the Corporation entered into a series of agreements along with the Province of Manitoba, the Manitoba Telephone System (MTS) and Faneuil ISG Inc. (Faneuil) whereby a new information services company was established in Winnipeg. This new company develops integrated marketing systems and marketing information from call centres throughout North America.

In conjunction with these agreements, the Corporation acquired a subordinated debenture from Faneuil in the amount of $16 million. This debenture was due September 18, 1999 and provided for interest of 6.5% per year.

3. Long-Term Investment Faneuil ISG Inc. (Cont'd):

The terms of the debenture were subsequently restructured and $5.6 million of the debenture was converted to Class B convertible preferred shares. For the fiscal year ended March 31, 1999, the Corporation recorded a provision against the debenture of $1,796,000 - $1,500,000 to reflect loan forgiveness for job creation and an additional $296,000 to write the debenture down to its estimated present value based on future cash flows receivable under the modified repayment terms.

In addition, these agreements provided for the Corporation to assume notes receivable from Faneuil, based on MTS and Faneuil entering certain call centre equipment and service contracts over the life of these agreements.

Based on a lack of certainty that the Corporation would recover its long-term investment in Faneuil, the value of the long-term investment was reduced to a nominal value of $1 on March 31, 2000.

On January 17, 2002, 3863620 Canada Ltd. (the purchaser) acquired the net assets of Faneuil from the Province of Manitoba. In return, the Province of Manitoba received 11,000,000 Class B Preference shares in the capital of the purchaser. These Preference shares are being held on behalf of the Province by the Manitoba Development Corporation, at a carrying value of $1. As a part of this transaction, the Manitoba Trade and Investment Corporation's long-term investment in Faneuil has been reduced to nil as follows:

	2002 $	2001 $
Long - Term Investment - Faneuil		
Notes Receivable - Call Centre Equipment	-	5,000,000
Notes Receivable - Service Contract	-	244,242
Debenture Receivable	-	10,400,000
Preferred Shares	-	5,600,000
	-	21,244,242
Provision for Decline in Value of Investment	-	(21,244,241)
	-	1

4. Loans Payable to the Province of Manitoba

The operating advance from the Province of Manitoba is non-interest bearing with no fixed terms of repayment.

In exchange for acquiring the subordinated debenture as described in Note 3 above, the Corporation assumed responsibility for term notes payable, based on facility service fees being paid by MTS to Faneuil. As at March 31, 2001, these term notes payable assumed by the Corporation totaled $19,000,000.

In exchange for acquiring notes receivable as described in Note 3, the Corporation also assumed responsibility for equivalent amounts of term notes payable. These amounts payable were based on call centre equipment and service contracts entered between MTS and Faneuil.

All term notes payable yielded interest at 9% per year and were due January 1, 2002.

In addition to interest, the Corporation paid to the Province on an annual basis, a service fee of .5% on the cumulative notes outstanding, and a guarantee fee of .5% of the amount of notes outstanding at the previous March 31.

As described in Note 3 above, the value of the long-term investment in Faneuil has been reduced to nil. Similarly, the term notes payable to the Province of Manitoba on account of Faneuil have also been reduced to nil as follows:

	2002 $	2001 $
Loans Payable to the Province of Manitoba		
Term Notes Payable - Call Centre Equipment	-	5,000,000
Term Notes Payable - Facility Service Fees	-	19,000,000
Term Notes Payable - Service Contract Fees	-	244,242
	-	24,244,242

5. Funding Commitment – Province of Manitoba

The Corporation had an outstanding loan from the Province of Manitoba in the amount of $24,244,242 as at March 31, 2001. If the Corporation's long-term investment from Faneuil ISG Inc. proved to be uncollectible, the Province of Manitoba was committed to writing off an equivalent amount of its loan to the Corporation regarding this transaction. Since the Corporation has now reduced both its long-term investment in Faneuil and the loans payable to the Province of Manitoba to nil, the funding commitment from the Province of Manitoba on account of Faneuil has also been reduced to nil at March 31, 2002.

6. Deferred Revenue

Deferred revenue represents unspent resources externally restricted for specific projects. Changes in the deferred revenue balance are as follows:

	2002 $	2001 $
Balance, beginning of year	44,658	130,492
Less amount recognized as revenue in the year	(451,096)	(452,901)
Add amounts received during the year	518,348	367,067
Balance, end of year	111,910	44,658

7. Financial Instruments

The carrying amounts of current assets and liabilities are a reasonable estimate of their fair value because of the short-term maturity of these instruments.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS’ REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of The Manitoba Water Services Board

We have audited the balance sheet of The Manitoba Water Services Board as at March 31, 2002 and the statements of operating revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 28, 2002

The Manitoba Water Services Board

Exhibit A

Balance Sheet

as at March 31, 2002

ASSETS	2002	2001
Current assets		
Cash	$ 147,000	$ 207,761
Accounts receivable	4,471,606	3,678,710
Prepaid Supplies	81,607	66,950
Current portion, Construction in progress (Note 4)	3,347,181	1,199,267
Accrued interest	40,853	51,880
Current portion of debentures receivable	334,481	309,374
	8,422,728	5,513,942
Long-term Construction in Progress (Note 4)	1,822,922	421,900
Debentures receivable from municipalities (Note 5)	782,697	1,117,178
Capital assets (Note 6)	174,350	216,342
	$ 11,202,697	$ 7,269,362

LIABILITIES	2002	2001
Current liabilities		
Accounts payable and accrued charges	$ 5,865,298	$ 4,479,202
Advances from the Province of Manitoba payable on demand	3,800,000	1,000,000
Current portion of long-term debt	109,131	99,539
Infrastructure Renewal - Whitemud Conservation District (Note 3)	626,545	470,488
Infrastructure Renewal - Conservation Districts (Note 3)	450,000	-
	10,850,974	6,049,229
Long-term debt (Note 7)		
Advances from the Province of Manitoba	542,168	651,299
Funds retained (Note 8)	(290,445)	468,834
Interest adjustment fund account (Note 9)	100,000	100,000
	(190,445)	568,834
	$ 11,202,697	$ 7,269,362

The Manitoba Water Services Board

Exhibit B

Statement of Operating Revenues and Expenditures

for the year ended March 31, 2002

	2002	2001
Revenues		
Sale of water	$ 1,231,594	$ 1,149,800
Administrative expenses paid by the Province of Manitoba (Note 10)	1,852,447	1,839,908
Interest	162,097	203,713
Total revenues	3,246,138	3,193,421
Expenditures		
Direct expenditures for water supply plants		
Interest - Advances payable on demand	168,021	202,060
- Long-term debt	74,150	91,715
Less: Interest allocated to new construction	(167,908)	(161,211)
	74,263	132,564
Chemicals	54,125	83,890
Amortization	41,992	57,612
Heat, telephone, light and power	220,070	211,664
Professional services	1,021,350	579,685
Salaries and benefits	296,117	312,513
Repairs and maintenance	90,214	207,326
Administrative expenses (Note 10)	1,852,447	1,839,908
Total expenditures	3,650,578	3,425,162
Deficiency of operating revenues over expenditures	(404,440)	(231,741)
Funds retained, beginning of year	468,834	931,621
Plant surplus transferred to municipalities on disposition	(354,839)	(231,046)
Funds retained, end of year (Note 8)	$ (290,445)	$ 468,834

The Manitoba Water Services Board **Exhibit C**

Statement of Cash Flows

for the year ended March 31, 2002

	2002	2001
Cash provided by (used for):		
Operating activities		
Excess (deficiency) of operating revenues over expenditures	$ (404,440)	$ (231,741)
Expenditure not involving cash - amortization	41,992	57,612
	(362,448)	(174,129)
Change in accounts receivable	(792,896)	(405,871)
Change in prepaid supplies	(14,657)	(14,120)
Change in accounts payable and accrued charges	1,386,096	3,445,054
Change in accrued interest	11,027	19,063
Cash provided by (used for) operating activities	227,122	2,869,997
Financing activities		
Advances received	8,000,000	3,400,000
Advances repaid	(5,299,539)	(6,990,790)
Debentures receivable principal recoveries	309,374	368,128
Contribution received - Infrastructure	950,000	500,000
Infrastructure Expenditure	(343,943)	(29,512)
Cash provided by (used for) financing activities	3,615,892	(2,752,174)
Investing activities		
New construction costs	(22,698,993)	(22,985,515)
Funding recovered from:		
Province of Manitoba	9,912,488	11,548,496
Municipalities	9,237,569	11,511,377
Decrease (increase) in construction in progress	(3,548,936)	74,358
Capital asset disposals	-	6,121
Plant surplus transferred to municipalities on disposition	(354,839)	(231,046)
Cash provided by (used for) investing activities	(3,903,775)	(150,567)
(Decrease) increase in cash	(60,761)	(32,744)
Cash, beginning of year	207,761	240,505
Cash, end of year	$ 147,000	$ 207,761

Interest paid during the year ended March 31 amounted to $240,419 (2001 - $283,207)

The Manitoba Water Services Board

Notes to Financial Statements

for the year ended March 31, 2002

1. NATURE OF ORGANIZATION

The Manitoba Water Services Board was established in July 1972 under *The Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board owns and operates water supply plants in the Province, installs or upgrades water and sewage facilities in Manitoba communities, constructs area water pipelines for agricultural and drought proofing purposes and develops farm water sources.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared using Canadian generally accepted accounting principles. Operating results of all water supply plants operated by the Board are reflected on an aggregate basis in the Statement of Operating Revenues and Expenditures. Separate equity accounts are maintained for each plant operated by the Board (Note 8).

(b) Capital assets

Capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Plants constructed prior to January 1, 1972	equipment	18 years
	buildings	35 years
Plants constructed after January 1, 1972	equipment	20 years
	buildings	20 years

(c) Revenue recognition

Revenue from sale of water is recognized in the period when consumed by the town or municipality.

(d) Administrative expenses paid by the Province of Manitoba

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at fair value in the financial statements.

(e) Pension costs and obligations

The Board's employees are eligible for membership in the provincially-operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

3. INFRASTRUCTURE RENEWAL

The Board maintains an infrastructure renewal reserve account for the Whitemud Conservation District to be used over the next ten years for the Province's 75% contribution of the cost of replacing aging waterway bridges and crossings. The Whitemud Conservation District will assume responsibility for the Provincial waterway infrastructure at the end of the agreement. The Board is now also maintaining an infrastructure reserve account to be utilized only for Capital (infrastructure) construction works for Cooks Creek, Turtle River, and the Whitemud Conservation Districts

4. CONSTRUCTION IN PROGRESS

	2002	2001
Balance, beginning of year	$ 1,621,167	$ 1,695,525
New construction costs	22,698,993	22,985,515
	24,320,160	24,681,040
Funding recovered from:		
Municipalities	9,237,569	11,511,377
Province of Manitoba	9,912,488	11,548,496
	19,150,057	23,059,873
Balance, end of year	5,170,103	1,621,167
Less: current portion	3,347,181	1,199,267
Long-term Construction in Progress	$ 1,822,922	$ 421,900

5. DEBENTURES RECEIVABLE FROM MUNICIPALITIES

Prior to April 1985, the Board financed capital construction costs through long-term debt at fixed interest rates with the Province of Manitoba and the Canada Mortgage and Housing Corporation. Municipalities financed the municipal share of capital construction costs by issuing debentures to the Board. The debentures were issued in amounts and at fixed interest rates sufficient to discharge the municipalities' share of the Board's corresponding long-term debt financing. Since April 1985, the Board has recovered the municipal share of capital construction costs on a current basis.

Schedule of Debentures Receivable from Municipalities:

Year of Maturity	Annual Payment Date	Interest Rate(%)	2002	2001
2001	December 31	13.125	$ -	$ 10,763
2002	December 31	13.125	51,034	96,148
2003	December 31	12.625	110,107	156,088
Subtotal (carried forward)			$ 161,141	$ 262,999

5. DEBENTURES RECEIVABLE FROM MUNICIPALITIES (continued)

Year of Maturity	Annual Payment Date	Interest Rate(%)	2002	2001
Subtotal (brought forward)			$ 161,141	$ 262,999
2004	December 31	12.750	472,036	595,217
2005	October 31	10.950	257,270	306,540
2006	October 31	9.800	137,323	102,799
2006	October 31	8.000	89,408	158,997
Total debentures receivable			1,117,178	1,426,552
Less: current portion			334,481	309,374
Debentures receivable beyond one year			$ 782,697	$ 1,117,178

6. CAPITAL ASSETS

	2002	2001
Land and easements	$ 23,165	$ 23,165
Buildings	1,351,253	1,351,253
Less accumulated amortization	1,200,068	1,158,076
	151,185	193,177
Equipment	474,900	474,900
Less accumulated amortization	474,900	474,900
Total capital assets	$ 174,350	$ 216,342

7. LONG-TERM DEBT

Year of Maturity	Annual Payment Date	Interest Rate(%)	2002	2001
Advances from the Province of Manitoba:				
2004	March 31	9.250	$ 7,501	$ 10,782
2006	October 31	9.800	108,790	125,084
2007	March 31	9.625	516,050	593,734
2007	October 31	9.400	18,958	21,238
Total advances payable			651,299	750,838
Less: current portion			109,131	99,539
Advances payable beyond one year			$ 542,168	$ 651,299

The Board has the right at any time to repay in whole or in part the advances from the Province of Manitoba.

The aggregate amount of payments required in each of the next five years to meet debt retirement provisions are:

2003	$ 109,131
2004	$ 119,647
2005	$ 126,898
2006	$ 139,143
2007 and beyond	$ 156,480

8. FUNDS RETAINED

Funds retained consist of accumulated excess revenues over expenditures pertaining to the water supply plants owned and operated by the Board for the benefit of municipalities and pertaining to plants operated by the Board under agreements with municipalities. Separate equity accounts are maintained for each plant operated by the Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances whenever plant operating responsibilities are transferred to the municipalities.

Funds retained also include the gain on the sale of the Red River Regional Water Supply System.

8. FUNDS RETAINED (continued)

Funds retained consist of the following:

	No.	2002 Amount	No.	2001 Amount
Plants owned by the Board				
Plants with a deficit	5	$ (1,099,769)	5	$ (504,081)
Plants with a surplus	9	489,761	9	628,362
	14	(610,008)	14	124,281
Plants owned by Municipalities				
Plants with a surplus	1	13,742	1	22,996
Total funds retained, water supply plants	15	(596,266)	15	147,277
Gain on Sale of the Red River Regional Water Supply System		305,821		321,557
Total funds retained		$ (290,445)		$ 468,834

Subsequent to year end, one Water Treatment Plant has been transferred to the Village of McCreary. Surplus funds of approximately $99,000 will be released from funds retained during 2002/2003.

9. INTEREST ADJUSTMENT FUND ACCOUNT

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest cost incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of $100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

10. ADMINISTRATIVE EXPENSES PAID BY THE PROVINCE OF MANITOBA

Administrative expenses paid by the Province of Manitoba and included in expenditures are as follows:

	2002	2001
Professional services	$ 13,076	$ 23,459
Salaries and benefits	1,506,129	1,450,494
Telephone and utilities	26,321	25,331
Travel	10,795	46,073
Rental for office premises	137,472	132,788
Other administrative	158,654	161,763
	$ 1,852,447	$ 1,839,908

11. COMMITMENTS

	2002	2001
The Board has commitments as follows:		
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives.	$ 23,364,375	$ 17,864,863
These commitments are expected to be funded as follows:		
Subsidization of construction costs - Province of Manitoba	$ 8,220,200	$ 5,522,200
Recovery of construction costs - Municipalities and Cooperatives	15,144,175	12,342,663
	$ 23,364,375	$ 17,864,863

The Board recovers construction costs on a current basis from municipalities and cooperatives through funds provided by the Province of Manitoba under *The Loan Act*. As at March 31, 2002, the Province had unused authority of $35,099,900 under *The Loan Act, 2001* to provide this financing to the Board for the construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

12. CONTINGENCIES

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

13. RELATED PARTY TRANSACTIONS

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

14. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

15. FINANCIAL INSTRUMENTS

Fair Value

The carrying amounts of cash, accounts receivable, accrued interest, the current portion of debentures receivable, accounts payable, accrued charges, advances from the Province of Manitoba payable on demand, and the current portion of long term debt reported on the balance sheet approximate their fair market value due to their short-term nature.

Debentures receivable and long-term debt are estimated using public quotations or discounted cash flow analysis, based on current corresponding borrowing rates for similar types of borrowing arrangements. They are not materially different from their carrying value.

Credit Risk

The Board, in the normal course of business, is exposed to credit risk from the rural municipalities it serves. The Board's financial assets that are exposed to credit risk consist primarily of accounts receivable and debentures receivable.

Accounts receivable are primarily short-term receivables from rural municipalities. Debentures receivable are long-term receivables from Rural Municipalities which have fixed interest rates and repayment terms. Credit evaluations are done for each Rural Municipality.

Interest Rates

The Board is not exposed to significant interest rate risk due to the short term nature of the current asset and current liabilities, and the fact that its debentures receivable and long-term debt are at fixed interest rates.

16. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Office of the Provincial Auditor
500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba

We have audited the balance sheet of The Public Schools Finance Board as at June 30, 2001 and the statement of revenue and expenditure and education support fund for the year then ended. These financial statements reflect the education program costs administered through the Public Schools Finance Board and the funding provided for this program from the Department of Education and Training and from municipal corporations. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management. as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2001 and the results of its operations and the changes in its financial position for the year then ended in accordance with the accounting policies stated in note 2 to the financial statements.

Office of the Provincial Auditor

Office of the Provincial Auditor

Winnipeg, Manitoba
September 28, 2001

THE PUBLIC SCHOOLS FINANCE BOARD

Balance Sheet

As at June 30, 2001

	2001	2000
	(in thousands of dollars)	
ASSETS		
Cash	$ 2,643	$ 1,718
Funds on deposit with the Province of Manitoba	145	136
Accounts Receivable:		
Province of Manitoba	15,703	14,810
Municipal corporations - education support levy	124,670	122,242
Other	857	2,387
	144,018	**141,293**
LIABILITIES AND EDUCATION SUPPORT FUND		
Support payable to school divisions	$ 4,265	$ 4,609
Accrued interest	2,554	2,361
Notes payable on demand, at bank prime, Province of Manitoba	135,257	132,683
Other payables	102	104
	142,178	**139,757**
Education Support Fund	**1,840**	**1,536**
	$ 144,018	**$ 141,293**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Revenue and Expenditure and Education Support Fund for the year ended June 30, 2001

	2001	2000
	(in thousands of dollars)	
Revenue:		
Province of Manitoba Schools Finance Program	$ 597,901	$ 581,851
Municipal corporations, education support levy	206,157	202,027
Sale of school properties and miscellaneous revenue	8	26
	804,066	**783,904**
Expenditure:		
Operational support program (Note 3)	730,602	714,773
Capital support program (Note 4)	67,231	64,616
Administrative and other expenses (Note 5)	5,929	5,076
	803,762	**784,465**
Excess (deficiency) of revenue over expenditure	**304**	**(561)**
Education Support Fund		
Balance, beginning of year	1,536	2,097
Balance, end of year	**$ 1,840**	**$ 1,536**

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2001

1. Nature of the Board's Operations

The Public Schools Finance Board was established by the Public Schools Finance Board Act in April, 1967.

The Board is responsible for receiving all monies paid to the Education Support Fund for the financing of public schooling in Manitoba. It administers the Capital Support Program including the determination and the disbursement of all capital grants provided to Manitoba school divisions under the Program. The Board also issues payments to Manitoba school divisions under the Operational Support Program in amounts as determined by the Minister of Education, Training and Youth.

The Public Schools Act and its Regulations govern the Education Support Fund.

2. Significant Accounting Policies

(a) The accounts of the Board are maintained in accordance with Canadian generally accepted accounting principles, except for the debt servicing support, which is expensed on a cash basis.

(b) The education support levy is assessed against municipal corporations on a calendar year basis. The Board applied 40% of the 2000 levy to the July to December period and 60% of the 2001 levy to the January to June period.

(c) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(d) The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of the fair value because of the short period to maturity of those instruments.

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2001

3. Operational Support Program

	2001	2000
	(in thousands of dollars)	
Support for Recognized Expenditures	$ 387,550	$ 381,256
Occupancy	76,401	76,078
Level I - Special needs	44,029	43,349
Counselling and Guidance	9,315	9,142
Library Services	16,161	15,570
Professional Development	5,253	4,733
Transportation	37,237	36,042
Board and Room	808	944
Special Needs	53,867	50,325
Technology (Vocational) Education	7,455	7,200
English as a Second Language	2,575	2,497
English Language Enrichment for Native Students	5,158	5,158
Heritage Language	220	226
French Language Programs / Instruction	5,184	5,247
Programme d'accueil	330	330
Small Schools	1,947	1,933
Curricular Materials	9,156	9,115
Students at Risk	11,179	11,470
Early Identification	249	249
Decreasing Enrolment	2,657	1,172
Remoteness Allowance	2,340	2,189
Red River Technical Vocational Coordinator	55	45
New School	135	15
Supplementary Support	34,399	34,195
Early Literacy Intervention	5,689	4,639
Information Technology (Distance Education)	7,457	7,425
Early Behaviour Intervention	2,000	1,989
Adjustment of previous years' support to school divisions from estimated to actual	(331)	(3)
Miscellaneous (Pipeline)	(72)	(36)
Vocational Equipment Replacement	2,200	2,200
Vocational Equipment Establishment	0	79
	$ 730,602	$ 714,773

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2001

4. Capital Support Program

	2001	2000
	(in thousands of dollars)	
Debt Servicing	$ 57,383	$ 56,082
Other Capital Projects	9,848	8,534
	$ 67,231	**$ 64,616**

As at June 30, 2001 the approved outstanding debenture debt of school divisions was $395,910,565 (2000 - $378,378,379). The Board has not, however, assumed legal liability related to the repayment of such long-term debt and, therefore, this amount is not reflected in the financial statements.

During the course of the year, school divisions raised an additional $45,952,000 to finance capital expenditures (2000 - $44,125,000) by the issuance of debentures purchased by the Minister of Finance.

5. Administrative and other expenses

	2001	2000
	(in thousands of dollars)	
Board Administration:		
Board members' indemnities	$ 76	$ 88
Staff salaries	566	520
Professional services	114	100
Service Agreement	169	169
Meetings and travel	50	55
Printing, stationery, postage and supplies	41	39
Desktop Management	42	46
Computers, software and minor equipment	4	4
Telephone and fax	12	10
Rent	36	36
Total Board Administration Expenses	1,110	1,067
Interest charges on notes payable to the Province of Manitoba	4,819	4,009
	$ 5,929	**$ 5,076**

6. Commitments

As at June 30, 2001, the Board had commitments of $806,898 (2000 - $5,927,444). There are no commitments included in this amount that have been provided for in appropriations included in the 2001/02 estimates of the Province of Manitoba (2000 - $4,411,160). The amount of $806,898 as at June 30, 2001 (2000 - $1,516,284) is committed from the Education Support Fund Balance. Effective with the 2001/2002 year, structural projects (formerly part of the cash program) became part of the debentured capital program.

7. Statement of Cash Flows

A statement of cash flows has not been included because, in the opinion of management, it would not provide any meaningful additional information.

8. Related Party Transactions

The Board is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporation. The Board enters into transactions with these entities in the normal course of business.

9. Pension Costs and Obligations

The Board's employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, the Board reflects no provision in the financial statements relating to its participation in the pension plan.

10. Comparative Figures

Certain 2000 figures have been restated for comparative purposes.

11. Subsequent Event

Subsequent to year end, an overpayment to a school division was uncovered due to a misstatement in the eligible enrolment. Recovery is anticipated but the final amount has not yet been confirmed. This recovery will accrue to the Province of Manitoba and is not reflected in these financial statements.

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**Deloitte
& Touche**

AUDITORS' REPORT

To the Board of Governors of
Red River College

We have audited the balance sheet of Red River College as at June 30, 2001 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
October 17, 2001

**Deloitte
Touche
Tohmatsu**

RED RIVER COLLEGE
Balance Sheet
(in thousands)
June 30, 2001

	2001	2000
ASSETS		
CURRENT		
Cash and short-term investments (Note 3)	$ 2,293	$ 1,174
Accounts receivable	3,663	2,708
Inventories	1,063	593
Prepaid expenses (Note 4)	1,457	1,805
	8,476	6,280
DUE FROM PROVINCE OF MANITOBA	9,253	9,275
CAPITAL ASSETS (Note 5)	11,782	9,712
	$ 29,511	$ 25,267
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 6)	$ 13,643	$ 12,827
Current portion of capital leases (Note 7)	543	-
Deferred revenue	3,844	4,050
	18,030	16,877
OBLIGATION UNDER CAPITAL LEASE (Note 7)	633	-
DEFERRED CONTRIBUTIONS (Note 8)	1,267	1,548
DEFERRED CAPITAL CAMPAIGN CONTRIBUTIONS (Note 9)	2,732	1,227
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 10)	4,040	3,318
	26,702	22,971
NET ASSETS		
Net assets invested in capital assets (Note 11)	3,834	5,167
Net assets restricted for endowments (Note 12)	1,835	1,064
Net assets internally restricted (Note 12)	175	175
Unrestricted net assets	(3,035)	(4,109)
	2,809	2,297
	$ 29,511	$ 25,267

APPROVED BY THE BOARD OF GOVERNORS

.... Chair

ARobins
.... Vice-Chair

RED RIVER COLLEGE
Statement of Operations
(in thousands)
Year Ended June 30, 2001

	Budget 2001 (unaudited - see Note 16)	Actual 2001	Actual 2000
REVENUE			
Academic training fees	$ 13,440	$ 14,221	$ 12,404
Grants and reimbursements	41,973	43,121	38,831
Market Driven Training Centre	3,768	1,806	4,254
International education	382	457	444
Continuing education	5,992	6,295	5,690
Sundry and other revenue	8,084	8,380	6,471
Gain on disposal of assets	-	7	3
Capital revenue	2,294	-	-
Amortization of deferred contributions	-	1,958	1,744
	75,933	76,245	69,841
EXPENSES			
Academic	43,937	44,493	41,395
Administration	10,981	10,915	10,245
Program support	4,078	4,186	3,688
Plant	9,473	10,025	8,904
Management information services	3,113	2,934	2,801
Capital purchases (regular college)	2,339	-	-
Library	1,380	1,346	1,273
Amortization of capital assets	632	2,911	2,703
	75,933	76,810	71,009
Excess of expenses over revenue before other items	-	(565)	(1,168)
OTHER ITEMS			
Net proceeds on Pan Am Games contract	-	-	461
Loss on writedown of art collection	-	-	(1,662)
Net proceeds from property tax assessment	-	928	-
Net increase in accrued vacation and severance liability	-	(518)	(812)
	-	410	(2,013)
EXCESS OF EXPENSES OVER REVENUE	$ -	$ (155)	$ (3,181)

RED RIVER COLLEGE
Statement of Changes in Net Assets

(in thousands)

Year Ended June 30, 2001

	Invested in Capital Assets	Restricted for Endowments	Internally Restricted	Unrestricted	**Total 2001**	Total 2000
Balance, beginning of year	$ 5,167	$ 1,064	$ 175	$ (4,109)	**$ 2,297**	$ 5,184
Endowment gifts	-	667	-	-	**667**	294
Transfer into endowed gifts	-	104	-	(104)	**-**	-
Excess of expenses over revenue	(1,360)	-	-	1,205	**(155)**	(3,181)
Investment in capital assets (Note 11)	27	-	-	(27)	**-**	-
Balance, end of year	$ 3,834	$ 1,835	$ 175	$ (3,035)	**$ 2,809**	$ 2,297

RED RIVER COLLEGE
Statement of Cash Flows
(in thousands)
Year Ended June 30, 2001

	2001	2000
OPERATING ACTIVITIES		
Excess of expenses over revenue	$ (155)	$ (3,181)
Amortization of capital assets	2,911	2,703
Amortization of deferred capital contributions	(1,958)	(1,744)
Writedown of art collection	-	1,662
Increase in deferred other contributions	133	811
Gain on disposal of capital assets	(7)	(3)
Net change in non-cash working capital items (Note 13)	(467)	1,642
Change in amount due from Province of Manitoba	22	-
	479	1,890
FINANCING AND INVESTING ACTIVITIES		
Purchase of capital assets	(4,864)	(3,235)
Purchase of capital assets financed by capital lease	1,560	-
Endowment gifts received	667	294
Contributions received for capital purposes	1,989	1,466
Capital campaign contributions	1,666	486
Repayment of obligation under capital lease	(384)	-
Dividends and sale of marketable securities	-	81
Proceeds on disposal of capital assets	6	3
	640	(905)
NET INCREASE IN CASH AND SHORT TERM INVESTMENTS	1,119	985
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	1,174	189
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 2,293	$ 1,174

1. DESCRIPTION

Red River College operates under the authority of The Colleges Act, Chapter C150.1 of the Continuing Consolidation of the Statutes of Manitoba. This legislation, which established the College as a board-governed institution on April 1, 1993, allowed for the transfer of assets, liabilities, investment in capital assets and contributed surplus from the Province of Manitoba.

The main campus of the College, located at 2055 Notre Dame Avenue, Winnipeg, Manitoba is owned by the Province of Manitoba. The College does not pay any rent for the use of the campus but is responsible for payment of property taxes and certain facilities costs under the government's Accommodation Cost Recovery System (ACRES). The College is currently finalizing a memorandum of understanding for the continued use of this campus.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Inventories*

Inventories of merchandise held by the College bookstore, printshop and food services are valued at the lower of cost and net realizable value.

(b) *Capital assets*

i) Assets acquired post-board governance are capitalized at their purchase price. Donated assets are capitalized at their market value at the time of the donation. The value of items transferred to College ownership at board-governance was determined based on the Transfer Agreement by Order in Council dated November 16, 1994 from the Province of Manitoba. These assets were transferred at their agreed upon net value at the time of transfer, April 1, 1993. Based on the amortization policy set out below, these assets have been fully depreciated.

ii) Equipment and furniture are amortized over their estimated useful lives, at a rate of 20% straight line based on original cost.

iii) Computer equipment is recorded at cost and amortized on a straight line basis at 33% per annum.

iv) Major renovations are recorded at cost and are amortized on a straight line basis at 5% per annum.

v) Vehicles are recorded at cost and are amortized on a straight line basis at 20% per annum.

vi) Leasehold improvements to the College's facility at 123 Main Street are being amortized on a straight line basis over the term of the lease, which expires January, 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Capital assets (continued)

vii) Library holdings are accounted for using the base stock method. Under this method, the value of the base stock is capitalized, but subsequent purchases are not capitalized because it has been determined that annual additions are approximately equal to reductions.

(c) Donations

Donations are recorded when received. Donations of materials and equipment are recorded at fair market value.

(d) Revenue recognition

The College follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

The unearned portion of tuition fees and contractual training revenue received but not earned until the next fiscal year is recorded as deferred revenue.

3. CASH AND SHORT TERM INVESTMENTS

	2001	2000
Bank Indebtedness	$ **(505)**	$ (788)
Cash	**34**	29
Short term investments	**2,764**	1,933
	$ **2,293**	$ 1,174

The College has a $5,000 operating line of credit with the Province of Manitoba.

Short term investment activity is transacted with the Department of Finance, Province of Manitoba in short term deposits.

4. PREPAID EXPENSES

	2001	2000
Property taxes	$ **1,159**	$ 1,157
Deferred program development costs	-	76
Other	**298**	572
	$ **1,457**	$ 1,805

5. CAPITAL ASSETS

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Equipment & furniture	$ 7,789	$ 4,440	$ 3,349	$ 2,576
Computer equipment	13,270	10,834	2,436	2,766
Major renovations	3,667	406	3,261	2,971
Vehicles	36	6	30	17
Leasehold improvements	346	93	253	133
Construction in progress	26	-	26	26
Assets under capital lease	1,560	356	1,204	-
Library holdings	1,223	-	1,223	1,223
	$ 27,917	$ 16,135	$ 11,782	$ 9,712

The increase (decrease) in net book value of capital assets is due to the following:

	2001	2000
Balance, beginning of year	$ 9,712	$ 10,842
Purchase of capital assets funded by deferred capital contributions	2,105	1,466
Purchase of capital assets funded by deferred building campaign contributions	1,666	567
Purchase of capital assets internally funded	27	1,199
Purchase of capital assets financed through net capital lease proceeds	1,176	-
Write down of art collection	-	(1,662)
Gain on disposal of capital assets	7	3
Amortization of capital assets	(2,911)	(2,703)
	$ 11,782	$ 9,712

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2001	2000
Trade payables	$ 1,670	$ 1,033
Accrued salaries and benefits	903	415
Accrued retirement severance pay	5,530	5,665
Accommodation cost recovery program	-	860
Accrued vacation pay	5,540	4,854
	$ 13,643	$ 12,827

7. OBLIGATIONS UNDER CAPITAL LEASES

The following is a schedule of future minimum lease payments under the capital leases expiring between April 4, 2003 and May 4, 2004 together with the balance of the obligation under capital leases.

2002	$ 603
2003	532
2004	128
Total minimum lease payments	1,263
Less: amount representing interest (ranging from 5% to 10%)	(87)
Balance of obligations	1,176
Current portion	543
Long-term portion	$ 633

The amount of amortization charged to expense is $348 (2000 - $0). Interest expense on the lease obligations amounted to $56 (2000 - $0).

The computer equipment under capital leases is amortized on a straight line basis over the life of the lease.

8. DEFERRED CONTRIBUTIONS

Deferred contributions represent the portion of the provincial operating grant that pertains to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

	2001	2000
Deferred provincial operating grant		
Balance, beginning of year	**$ 630**	$ 387
Amount recognized as revenue during the year	**(630)**	(387)
Amount received related to following year	**176**	630
Balance, end of year	**176**	630
Deferred other contributions		
Balance, beginning of year	**918**	647
Amount recognized as revenue during the year	**(414)**	(297)
Amount received related to following year	**587**	568
Balance, end of year	**1,091**	918
	$ 1,267	$ 1,548

9. DEFERRED CAPITAL CAMPAIGN CONTRIBUTIONS

Deferred capital campaign contributions represent the donations received to date under the College's VIP campaign to renovate one of the buildings on campus. The donations are being amortized on the same basis as the renovations to the building. The changes in the deferred capital campaign contributions balance are as follows:

		2001		2000
Balance, beginning of year	$	1,227	$	728
Less: Amortization of deferred capital campaign contributions during the year		(161)		(68)
Add: Donations received during the year		166		567
Add: Grant received during the year		1,500		-
Balance, end of year	$	2,732	$	1,227

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the unamortized amount of grants, donations and other revenue received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions balance are as follows:

		2001		2000
Balance, beginning of year	$	3,318	$	3,231
Less: Amortization of deferred contributions		(1,383)		(1,379)
Add: Contributions received for capital purposes		2,105		1,466
Balance, end of year	$	4,040	$	3,318

11. INVESTMENT IN CAPITAL ASSETS

The investment in capital assets consists of the following:

		2001		2000
Capital assets	$	11,782	$	9,712
Less: Amounts financed by deferred building campaign contributions		(2,732)		(1,227)
Less: Deferred capital contributions		(4,040)		(3,318)
Less: Amounts financed by capital lease		(1,176)		-
Balance, end of year	$	3,834	$	5,167

11. INVESTMENT IN CAPITAL ASSETS (continued)

The change in investment in capital assets is calculated as follows:

		2001		2000
Purchase of capital assets internally financed	$	27	$	1,199
Amortization of capital assets		(2,911)		(2,703)
Amortization of deferred capital contributions		1,383		1,379
Amortization of deferred capital campaign contributions		161		68
Write down of art collection		-		(1,662)
Gain on disposals of capital assets		7		3
Decrease in investment in capital assets	$	(1,333)	$	(1,716)

12. RESTRICTIONS ON NET ASSETS

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on these resources is externally restricted to provide various scholarships, bursaries and other expenditures of future years.

The College's Board of Governors has internally restricted $175,000 as a reserve against future contingencies.

13. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

		2001		2000
Decrease in marketable securities	$	-	$	76
(Increase) decrease in accounts receivable		(955)		1,050
(Increase) decrease in inventories		(470)		13
Decrease in prepaid expenses		348		242
Increase in accounts payable		816		737
(Decrease) in deferred revenue		(206)		(476)
(Decrease) increase in non-cash working capital	$	(467)	$	1,642

14. PENSION COSTS AND OBLIGATIONS

The College's employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for College employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the College and its employees.

15. COMMITMENTS

The College leases classroom and office space in Winnipeg, Portage La Prairie, Steinbach and Winkler, Manitoba. The College has also contracted for services, as well as leased certain computer and other equipment. Minimum annual lease and contractual commitment payments for accommodation, services, construction costs and equipment, in aggregate, for each of the next five years, are as follows:

2002	$ 2,016
2003	897
2004	548
2005	454
2006	56

16. BUDGET

The budget figures included on the statement of operations are unaudited.

The College's budget differs from generally accepted accounting principles with regard to capital transactions. Capital revenues are projected in the year in which they are expected to be received as are the capital assets that are expected to be purchased with those revenues. Capital amortization is recorded for the College's strategic business units. All leases are treated as operating leases and lease payments are budgeted in the year they will be incurred.

The budget presented represents the College's operating and capital budget and does not include trust and endowment transactions. The operating budget only includes a provision for retirement severance pay that is expected to be paid during the current year.

17. CHARITABLE STATUS

The College is a registered charity under the Income Tax Act.

18. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for 2001.

19. FUTURE OPERATIONS

(a) Stevenson Aviation Technical Centre

A process is currently underway that is expected to result in the integration of the operations of Stevenson Aviation Technical Centre with Red River College. It is planned that this integration, including the transfer of the Centre's assets, will be complete as of March 31, 2002.

(b) Princess Street Campus

As part of the Province of Manitoba's College Expansion Initiative, a 220,000 square foot downtown campus is being constructed that will accommodate an additional 2,000 students. Phase I, which includes the move of the Creative Arts program to the downtown campus and the introduction of a number of new programs, will open in September 2002.

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**Deloitte
& Touche**

AUDITORS' REPORT

To the Board of Directors of
Brandon Regional Health Authority

We have audited the consolidated statement of financial position of Brandon Regional Health Authority as at March 31, 2002 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Brandon Regional Health Authority as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
June 28, 2002

Brandon Regional Health Authority
Consolidated Statement of Financial Position

March 31	2002	2001
ASSETS		
CURRENT		
Cash	$ 2,723,691	$ 39,802
Accounts receivable (Note 3)	2,366,781	6,560,568
Inventories	1,346,473	1,133,601
Prepaid expenses	1,132,806	1,537,255
	7,569,751	**9,271,226**
DEFERRED CHARGES FUTURE EMPLOYEE BENEFITS	12,097,498	11,514,833
INVESTMENTS (Note 4)	3,496,361	3,214,020
CAPITAL ASSETS (Note 5)	54,957,590	53,676,978
OTHER ASSETS	5,201,019	4,709,978
	$ 83,322,219	$ 82,387,035
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 8,473,300	$ 6,589,579
Bank advances	4,984,343	3,008,263
Other liabilities	-	441,700
Current portion of long term debt (Note 6)	1,932,163	1,925,105
	15,389,806	**11,964,647**
ACCRUED FUTURE EMPLOYEE BENEFITS	12,097,498	11,514,833
LONG TERM DEBT (Note 6)	26,866,198	28,566,986
DEFERRED CONTRIBUTIONS (Note 7)		
Expenses of future periods	974,124	736,411
Capital assets	20,222,023	19,738,128
	75,549,649	**72,521,005**
NET ASSETS		
Invested in capital assets (Note 8)	5,727,541	5,446,040
Internally restricted	3,045,145	3,747,520
Externally restricted	25,440	-
Unrestricted	(1,025,556)	672,470
	7,772,570	9,866,030
	$ 83,322,219	$ 82,387,035

Brandon Regional Health Authority
Consolidated Statement of Operations

For the year ended March 31	2002	2001
REVENUE		
Manitoba Health operating income	$	$
Income as per Rate Recommendation (excluding funding related to Capital)	104,992,389	94,108,590
Retroactive Salary Payments	517,612	1,270,609
Recovery of Non Global Items	538,351	763,542
Deferral of Manitoba Health Income	(8,500)	(150,265)
Other Manitoba Health Income	1,779,177	1,945,609
Deficit Recoverable From Manitoba Health	-	3,517,588
Non-insured income	5,891,393	5,630,516
Other Income	2,223,980	3,634,715
Amortization of deferred contributions	4,899,327	4,527,111
Ancillary revenue	2,874,386	3,088,259
	123,708,115	118,336,274
EXPENSES		
Acute Care services	71,955,818	67,679,200
Long Term Care Services	17,876,149	16,865,691
Medical Remuneration - All Programs	6,825,896	6,941,820
Community Services Administration	716,605	758,253
Community Based Mental Health Services	8,246,439	7,762,666
Community Based Home Care Services	4,085,101	3,866,019
Community Based Health Services	2,820,969	2,517,390
Land Ambulance	201,912	201,912
RHA Administration Costs	2,090,837	1,690,638
Amortization of capital assets	5,220,714	4,448,411
Capital payments - Non Devolved Facilities	608,603	530,080
Interest on long term debt	2,395,608	2,359,353
Other operating expenses	337,700	393,007
Ancillary expenses	2,419,224	2,915,536
	125,801,575	118,929,976
Shortfall of revenue over expenses for the year	$ (2,093,460)	$ (593,702)

ALLOCATION OF SHORTFALL FROM OPERATIONS:

Investment in Capital Assets - Manitoba Health Activities	$ (547,433)	$ (347,148)
Investment in Capital Assets - Non Manitoba Health Activities	(920,926)	(733,289)
Internally Restricted - Non Manitoba Health Activities	533,241	216,361
Externally Restricted	25,440	-
Unrestricted - Manitoba Health Activities	(1,183,782)	-
Unrestricted - Non Manitoba Health Activities	-	270,374
	$ (2,093,460)	$ (593,702)

Brandon Regional Health Authority

Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2002

	Invested In Capital Assets	Internally Restricted	Externally Restricted	Unrestricted	2002 Total	2001 Total
BALANCE, beginning of year	$ 5,446,040	$ 3,747,520	$ -	$ 672,470	$ 9,866,030	$ 10,459,732
(Shortfall) Excess of expenses over revenue	(1,468,359)	533,241	25,440	(1,183,782)	(2,093,460)	(593,702)
Net change in investment in capital assets	1,749,860	(1,235,616)	-	(514,244)	-	-
BALANCE, end of year	$ 5,727,541	$ 3,045,145	$ 25,440	$ (1,025,556)	$ 7,772,570	$ 9,866,030

Brandon Regional Health Authority
Consolidated Statement of Cash Flows

For the year ended March 31	2002	2001
OPERATING ACTIVITIES		
Shortfall of revenue over expenses	$ (2,093,460)	$ (593,702)
Items not affecting cash		
Amortization of capital assets	5,220,714	4,448,411
Amortization of deferred contributions related to expenses of future periods	(538,370)	(598,184)
Amortization of deferred contributions related to capital assets	(4,360,957)	(3,839,031)
Changes in non-cash operating working capital items	5,827,385	(1,785,855)
	4,055,312	(2,368,361)
FINANCING ACTIVITIES		
Increase in deferred contributions related to expenses of future periods	776,083	737,882
Increase in deferred contributions related to capital assets	4,844,852	5,431,457
Increase in bank advances	2,256,801	1,248,033
Repayment of bank advances	(280,721)	(20,240,332)
Increase in long term debt	-	19,000,000
Repayment of long term debt	(1,693,730)	(758,326)
	5,903,285	5,418,714
INVESTING ACTIVITIES		
Purchase of capital assets	(6,501,326)	(5,749,074)
Increase in other assets	(491,041)	(493,975)
Increase in investments	(282,341)	(112,279)
	(7,274,708)	(6,355,328)
INCREASE (DECREASE) IN CASH	**2,683,889**	**(3,304,975)**
CASH, BEGINNING OF YEAR	**39,802**	**3,344,777**
CASH, END OF YEAR	**$ 2,723,691**	**$ 39,802**

1 PURPOSE OF THE ORGANIZATION

The Brandon Regional Health Authority ("Authority") was incorporated under the laws of Manitoba on January 6,1997. The Authority commenced activity on April 1, 1998. The Authority is principally involved in providing health care services to the community of Brandon and surrounding regions. The Authority is a registered charity under the Income Tax Act and accordingly exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Basis of Reporting*

The Authority provides health care services through devolved and contract facilities. All significant inter divisional transactions of these organizations have been eliminated.

The assets, liabilities, and operations of the following devolved organizations have been included in these financial statements:

Brandon Regional Health Centre
Child and Adolescent Treatment Centre
Community and Home Care Health Services
Community Mental Health Services
Fairview Home
Rideau Park Personal Care Home
Westman Laundry

The health care services provided by the contract facilities are delivered under the control of the Authority as the major funder. The financial position and results of operations of these related organizations (The Salvation Army Dinsdale Personal Care Home and Westman Regional Laboratory Services Inc.) have not been consolidated. Instead a summary of their financial information has been included in these notes (Note 11).

b) *Revenue recognition*

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) *Revenue recognition (Continued...)*

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2002.

Unrestricted contributions are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

c) *Contributed services*

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

d) *Inventories*

Inventories are valued at a modified average cost, except pharmacy inventory which is valued at the actual cost using the first in, first out method.

e) *Investments*

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and Maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets, excluding vehicles are amortized on a straight-line basis using the following annual rates:

Land	4%
Buildings	2.5% -6.67%
Building service equipment/equipment	5% - 20%

Vehicles are amortized an a declining balance basis using 30% as the annual rate and are included in building service equipment/equipment.

g) *Compensated absences*

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Authority's benefit plans for vacation.

h) *Retirement entitlement obligation*

Commencing April 1, 2000, the Authority prospectively applied the new accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

The Authority has a contractual commitment to pay out to employees four days salary per year of service upon retirement subject to meeting certain criteria.

- have ten years service and have reached the age of 55 or

- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee

The Authority has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above. Funding for the retirement entitlement is recoverable from Manitoba Health in the year of payment.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) *Deferred charges - future employee benefits*

The authority records a provision for future employee benefits including accrued vacation entitlements, accrued overtime and accrued retirement obligations. Funding for the future employee benefits is recoverable from Manitoba Health as a component of salary costs in the period in which the expenditures are made. Accordingly, the cost of the estimated accrued vacation pay, overtime and retirement obligations at year end is deferred to enable an appropriate matching of expenses with income secured in subsequent years.

j) *Due to/from Manitoba Health*

Any operating surplus related to Out of Globe funding arrangements or operating surpluses greater than 2% of budget related to In Globe funding arrangements for the year is carried on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is carried on the statement of financial position as a receivable from Manitoba Health until Manitoba Health reviews the financial statements. At that time Manitoba Health submits their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

k) Financial Instruments

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Authority's accounts receivable are comprised mostly of amounts due from the government of Manitoba.

Interest Rate Risk

Interest rate risk is the risk arising from fluctuations in short term interest rates and the volatility of those rates. The Authority mitigates this risk by retaining the option to convert all floating rate borrowings to fixed rate borrowings.

3 ACCOUNTS RECEIVABLE

	2002	2001
Manitoba Health		
Deficits Recoverable	$ -	$ 3,517,588
Other Operations	-	22,332
Outstanding Commitments	778,193	1,033,541
	778,193	4,573,461
Patients	304,307	240,414
Government of Canada - Goods and Services Tax	267,229	411,183
Sundry	1,116,329	1,385,231
	2,466,058	6,610,289
Less allowance for doubtful accounts	(99,277)	(49,721)
	$ 2,366,781	$ 6,560,568

4 INVESTMENTS

	2002	
	Cost	Fair Value
Government of Canada Bonds	$ 1,573,734	$ 1,583,923
Other Bonds	1,202,364	1,213,686
GICs	719,583	719,583
Equities	680	680
	$ 3,496,361	$ 3,517,872

	2001	
	Cost	Fair Value
Government of Canada Bonds	$ 497,074	$ 506,334
Other Bonds	965,579	1,021,031
GICs	1,731,987	1,731,987
Equities	19,380	19,380
	$ 3,214,020	$ 3,278,732

The fair value of the investments is based on the year end quoted market bid price.

5 CAPITAL ASSETS

	2002		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 3,309,343	$ 637,333	$ 2,672,010
Buildings	55,906,871	18,252,801	37,654,070
Building service equipment/equipment	43,184,801	32,179,032	11,005,769
Work in Progress	3,625,741	-	3,625,741
	$ 106,026,756	$ 51,069,166	$ 54,957,590

	2001		
	Cost	Accumulated Amortization	Net Book Value
Land	$ 3,049,581	$ 577,198	$ 2,472,383
Buildings	54,482,633	16,735,495	37,747,138
Building service equipment/equipment	38,323,613	28,535,758	9,787,855
Work in Progress	3,669,602	-	3,669,602
	$ 99,525,429	$ 45,848,451	$ 53,676,978

6 LOANS AND MORTGAGES PAYABLE

	2002	2001
School of Nursing Building 5.75% mortgage, repayable $27,241 semi-annually including interest, maturing 2019. The mortgage is secured by land and buildings.	$ 586,053	$ 605,973
Brandon Regional Health Centre 7.00% debenture, repayable $131,944 monthly, plus interest, maturing 2012. The debenture is paid by Manitoba Health.	16,756,944	18,340,278
Fairview Home 6% mortgage, repayable $3,907 monthly, including interest, maturing 2018. The mortgage is secured by land and buildings.	490,425	507,465
Fairview Home 7 1/2% mortgage, repayable $2,778 monthly, including interest, maturing 2023. The mortgage is secured by land and buildings.	354,755	361,416

6 LOANS AND MORTGAGES PAYABLE (Continued...)

	2002	2001
Fairview Home 10 1/8%, sinking fund debenture, repayable $97,318 monthly, including interest, maturing 2008. The indenture documentation assigns the subsidies provided by Manitoba Health for payment of the debenture.	9,250,000	9,250,000
City of Brandon 6.5% loan, repayable $159,529 annually, including interest, maturing 2015.	1,360,184	1,426,959
	28,798,361	30,492,091
Less current portion	(1,932,163)	(1,925,105)
	$ 26,866,198	$ 28,566,986

Principal payments due in the next five years are as follows:		
	2003	1,932,163
	2004	1,939,672
	2005	1,947,664
	2006	1,956,168
	2007	1,965,218

7 DEFERRED CONTRIBUTIONS

a) *Expenses of future periods*

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment and construction projects.

	2002	2001
Balance, beginning of year	$ 736,411	$ 596,713
Add amount received	776,083	737,882
Less amount amortized to revenue in the year	(538,370)	(598,184)
Balance, end of year	$ 974,124	$ 736,411

7 DEFERRED CONTRIBUTIONS (Continued...)

b) *Capital assets*

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

		2002		2001
Balance, beginning of year	$	19,738,128	$	18,145,702
Additional contributions received		4,844,852		5,431,457
Less amounts amortized to revenue in the year		(4,360,957)		(3,839,031)
Balance, end of year	$	20,222,023	$	19,738,128

The balance of unamortized capital contributions related to capital assets consists of the following:

		2002		2001
Unamortized capital contributions used to purchase assets	$	20,260,900	$	19,340,935
(Overspent)/unspent contributions		(38,877)		397,193
	$	20,222,023	$	19,738,128

8 INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

		2002		2001
Capital assets	$	54,957,590	$	53,676,978
Funds held by Manitoba Health		5,201,019		4,709,978
Amounts financed by:				
Deferred contributions		(20,260,900)		(19,340,935)
Short term financing		(387,464)		(99,627)
Loans and mortgages payable		(33,782,704)		(33,500,354)
	$	5,727,541	$	5,446,040

9 COMMITMENTS AND CONTINGENCIES

The Authority is subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.

10 PENSION PLAN

Substantially all of the employees of the Authority are members of the Health Employees Pension Plan (HEPP), which is a multi-employer defined benefit pension plan. HEPP plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provides the highest earnings. Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by HEPP by placing plan assets in trust and through HEPP investment policy. The most recent actuarial valuation of the Plan at January 1, 2001and indicates the Plan is fully funded.

The Authority is not required to make contributions to the Civil Service Superannuation Plan.

11 NON-DEVOLVED FACILITIES

The Authority has a contract arrangement with The Salvation Army Dinsdale Personal Care Home, which provides long term care in the community of Brandon. In addition, the organization carries out the charitable, educational, religious and other benevolent objects and purposes of the Salvation Army. The organization is a registered charity under the Income Tax Act.

The Authority also has the responsibility of providing management services to Westman Regional Laboratory Services Inc. ("Westman Lab"). Westman Lab provides laboratory services to a number of health care providers in Manitoba. The Majority of Westman Lab's revenue is from Manitoba Health.

The Authority does recognize that since there is economic dependence of both Dinsdale Personal Care Home and Westman Lab on the Authority, accounting control does exist between the Authority and these organizations. In light of this, Management of the Authority has provided a financial summary of these organizations. All revenues received by the Authority on behalf of Westman Lab and Dinsdale Personal Care Home are reflected in the Authorities revenues and payments issued to these entities are recorded as expenses. In addition, the operating deficit for Dinsdale Personal Care Home has been recorded as an expense in the Authorities financial statements.

Financial statements of Dinsdale Personal Care Home and Westman Lab are available upon request.

11 NON-DEVOLVED FACILITIES (continued...)

The Salvation Army Dinsdale Personal Care Home

	2002	2001
FINANCIAL POSITION		
Total assets	$ 3,064,112	$ 3,132,549
Total liabilities	$ 2,766,138	$ 2,778,481
Total net assets	297,974	354,068
	$ 3,064,112	$ 3,132,549
RESULTS OF OPERATIONS		
Total revenues	$ 2,754,174	$ 2,621,502
Total expenses	(2,800,754)	(2,585,031)
Net operating (deficit)/surplus	$ (46,580)	$ 36,471

Westman Regional Laboratory Services Inc.

	2002	2001
FINANCIAL POSITION		
Total assets	$ 3,293,919	$ 5,193,118
Total liabilities	$ 3,261,470	$ 5,160,669
Total net assets	32,449	32,449
	$ 3,293,919	$ 5,193,118
RESULTS OF OPERATIONS		
Total revenues	$ 11,057,681	$ 9,236,664
Total expenses	(11,178,885)	(10,507,603)
Net operating shortfall (Recoverable from Manitoba Health)	$ (121,204)	$ (1,270,939)

12 RECLASSIFICATION OF PRIOR YEAR'S FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

BDO

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Auditors' Report

To the Board of Directors
BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

We have audited the balance sheet of **BURNTWOOD REGIONAL HEALTH AUTHORITY INC.** as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 30, 2002

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.
Balance Sheet

March 31	2002	2001
Assets		
Current Assets		
Deferred benefit entitlements (Note 1)	$ 3,408,147	$ 3,035,188
Accounts receivable (Note 2)	1,198,421	691,029
Due from Manitoba Health (Note 3)	121,395	2,454,215
Inventories	448,049	315,587
Prepaid expenses	329,790	155,099
	5,505,802	6,651,118
Capital assets (Note 4)	30,261,375	25,373,400
Deferred charges	1,203	1,925
	$ 35,768,380	$ 32,026,443
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 5)	$ 1,593,115	$ 1,581,841
Accounts payable	2,454,811	2,761,140
Deferred benefit entitlements (Note 1)	3,408,147	3,035,188
Deferred revenue (Note 6)	552,614	492,556
Lines of credit (Note 7)	-	8,758,670
Current portion of capital lease obligations (Note 9)	93,933	93,933
Current portion of long-term debt	676,940	-
	8,779,560	16,723,328
Long-term debt (Note 8)	12,560,096	-
Capital lease obligations (Note 9)	1,541,624	1,631,120
Deferred capital asset grants (Note 10)	8,149,108	7,821,276
	31,030,388	26,175,724
Net Assets		
Net assets invested in capital assets (Note 11)	5,884,311	6,355,595
Net assets internally restricted	196,375	196,375
Unrestricted net assets	(1,342,694)	(701,251)
	4,737,992	5,850,719
	$ 35,768,380	$ 32,026,443

On behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.
Statement of Changes in Net Assets

For the year ended March 31, 2002

	Invested in Capital Assets	Restricted Donations	Unrestricted	2002	2001
Balance, beginning of year	$ 6,355,595	$ 196,375	$ (701,251)	$ 5,850,719	$ 6,830,035
Transferred to deferred contributions	-	-	-	-	(383,673)
Excess of expenses for the year	(471,284)	-	(641,443)	(1,112,727)	(595,643)
Transfers from foundations and donations received	-	-	-	-	-
Balance, end of year	$ 5,884,311	$ 196,375	$ (1,342,694)	$ 4,737,992	$ 5,850,719

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

Statement of Operations

For the year ended March 31	2002	2001
Revenue		
Amortization of deferred contributions	$ 843,003	$ 626,600
Ancillary programs	798,585	1,176,830
Manitoba Health - budgeted income	38,156,753	33,046,067
Manitoba Health - out-of-globe income	71,330	272,893
NPTP recoveries	1,201,245	1,338,371
Other	810,256	461,595
Patient	314,268	270,269
	42,195,440	37,192,625
Expenses		
Acute care services	19,550,158	18,435,931
Amortization of capital assets	843,003	626,600
Ancillary operations	1,304,173	1,176,830
Community based - health services	2,945,066	2,854,209
Community based - home care	1,025,560	1,056,838
Community based - mental health	469,728	462,572
Interest on long-term debt	426,983	309,446
Land ambulance	227,928	241,516
Medical remuneration	10,610,917	10,174,023
NPTP	5,647,935	4,666,888
Regional health authority	1,124,025	1,346,515
Support to seniors	25,800	27,338
	44,201,276	41,378,706
Excess of expenses before other items	(2,005,836)	(4,186,081)
Other Items		
Amortization of net assets invested in capital assets	(471,284)	(595,643)
Manitoba Health - In-Globe	-	1,187,837
Manitoba Health - out of globe	-	2,779,685
Manitoba Health - past commitments	1,364,393	218,559
	893,109	3,590,438
Excess of expenses for the year	$ (1,112,727)	$ (595,643)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.
Statement of Cash Flows

For the year ended March 31	2002	2001
Cash Flows from Operating Activities		
Deficiency of revenues over expenses	$ (1,112,727)	$ (595,643)
Adjustments for		
Transfer to deferred contributions	-	(383,673)
Amortization of capital assets	843,003	626,600
Amortization of net assets invested in capital assets	471,284	595,643
Amortization of deferred contributions	(843,003)	(626,600)
	(641,443)	(383,673)
Changes in non-cash working capital balances		
Accounts receivable	(507,392)	211,119
Due from Manitoba Health	2,332,820	(796,806)
Inventories	(132,462)	88,551
Prepaid expenses	(174,691)	27,638
Accounts payable	(306,329)	716,481
Deferred revenue	60,058	20,168
	630,561	(116,522)
Cash Flows from Investing and Financing Activities		
Purchase of capital assets	(6,202,262)	(7,169,630)
Decrease in deferred charges	722	723
Loan advances	13,383,591	-
Bank loan payments	(146,555)	-
Increase (decrease) in capital lease obligations	(89,496)	1,593,011
Increase in deferred capital asset grants	1,170,835	922,070
Lines of credit	(8,758,670)	4,120,252
	(641,835)	(533,574)
Decrease in cash and cash equivalents during the year	(11,274)	(650,096)
Cash and cash equivalents, beginning of year	(1,581,841)	(931,745)
Cash and cash equivalents, end of year	$ (1,593,115)	$ (1,581,841)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2002

Nature and Purpose of Organization

Burntwood Regional Health Authority Inc. is a non-profit organization incorporated without share capital under the laws of Manitoba. The organization is involved in the provision of health care services to persons resident in the Burntwood Region. The organization is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue Recognition

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as a direct increase in net assets when earned. Unrestricted investment income is recognized as revenue when earned.

Contributed Materials and Services

Contributed materials and services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Basis of Reporting

These financial statements include the accounts of all controlled not-for-profit organizations of the organization. All significant inter departmental transactions have been eliminated. The assets, liabilities, and operations of the following controlled not-for-profit operations have been included in these financial statements:

Community Health Resource Centre
Community Health Services
Gillam Hospital
Leaf Rapids Health Centre
Lynn Lake Hospital
Northern Consultation Centre
Pikwitonei Community Health Centre
Thicket Portage Community Health Centre
Thompson General Hospital
Wabowden Community Health Centre

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2002

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, grants receivable, temporary investments, bank indebtedness, accounts payable, amounts due to (from) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Temporary Investments

Temporary investments are stated at the lower of cost and market value.

Inventories

Inventories are stated at the lower of cost and replacement cost. Cost is generally determined on a moving average basis.

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Building	40 years straight-line basis
Computers	4 years straight-line basis
Equipment	10 years straight-line basis

Assets Under Capital Lease

Assets under capital lease are recorded at cost. Amortization based on the estimated useful life of the asset is as follows:

Leaseholds	15 years straight-line basis
Equipment	10 years straight-line basis

Net Assets Internally Restricted

Part of the net assets of the organization have been restricted as approved by the Board of Directors or in accordance with the specific directives of donors. Transfers among net asset classes are recorded when approved by the board of directors.

The donation fund includes transactions related to donations and bequests. Expenditures from the donation fund are at the discretion of the Burntwood Regional Health Authority Inc. governing board.

1. Deferred Benefit Entitlements

Certain accrued employee benefit costs, including vacation pay, unused statutory holiday pay, unpaid overtime and pre-retirement leave are recorded in accordance with the policy determined by Manitoba Health. This policy is to record the change in the amount of both the accrued liability for these costs and the related amount receivable from Manitoba Health.

The pre-retirement benefits are determined by actuarial valuation. The latest actuarial valuation of the pre-retirement value as of December 31, 2000 reports an obligation of $114,100. The plan is unfunded; however the obligation is covered by Manitoba Health resulting in a nil surplus or deficit at March 31, 2001. $51,604 of benefits were paid from the plan in the current year. No contributions by the employees or employer were made during the year. The assumptions in the valuation report are as follows:

- discount rate of 2%
- expected long-term rate of return on plan assets of 6.5%
- rate of compensation increase of 4%.

2. Accounts Receivable

	2002	2001
Patients receivable	$ 184,811	$ 117,998
Other	1,068,610	573,339
Allowance for doubtful accounts	(55,000)	(308)
	$ 1,198,421	$ 691,029

3. Due from Manitoba Health

Any operating surplus related to Out of Globe funding arrangements or operating surpluses greater than 2% of budget related to In Globe funding arrangements for the year is carried on the balance sheet as a payable due to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Burntwood Regional Health Authority Inc. or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is carried on the balance sheet as a receivable from Manitoba Health until Manitoba Health reviews the financial statements. At that time Manitoba Health submits their final funding approvals which indicate the portion of the deficit that will be paid to the Burntwood Regional Health Authority Inc. Any unapproved costs not paid by Manitoba Health are absorbed by the Regional Health Authority.

Differences that may occur on final settlement of approved costs are charged directly to current years operations.

	2002	2001
1998/99 Northern Patient Transportation Program deficit	$ -	$ 90,027
1998/99 Interest on approved borrowings	(158,725)	-
1998/99 Non-insured income shortfall	-	493
1999/00 Non-insured income excess	-	(122,592)
1999/00 Out-of-Globe surplus (deficit)	-	9,056
1999/00 Northern Patient Transportation Program deficit	-	261,891
1999/00 Construction	-	29,367
2000/01 Non-insured income excess	-	(23,834)
2000/01 Interest on approved borrowings	-	(10,986)
2000/01 Out-of-Globe deficit	-	2,067,579
2000/01 Pre-retirement	-	33,230
2000/01 Northern Patient Transportation Program deficit	-	746,926
2000/01 Accreditation	-	65,000
2000/01 MAHCP Union Pay costs	-	174,663
2000/01 Deficit advances received	-	(2,400,758)
2000/01 Community Nurse Resource Program	-	346,316
2000/01 Manitoba Health In-Globe	-	1,187,837
2001/02 Pre-retirement	51,604	-
2001/02 Physician participation on regional committees	101,423	-
2001/02 Midwife program	5,166	-
2001/02 Emergency Medical Officer retroactive pay	50,597	-
2001/02 Interest on approved borrowings	(119,083)	-
2001/02 Medical remuneration	220,379	-
2001/02 Authorized charges excess	(29,966)	-
	$ 121,395	$ 2,454,215

4. Capital Assets

	2002			2001		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 13,694	$ -	$ 13,694	$ 13,694	$ -	$ 13,694
Buildings	23,584,202	6,165,253	17,418,949	23,266,298	5,579,200	17,687,098
Computers	763,982	686,527	77,455	728,205	532,748	195,457
Equipment	12,904,383	10,114,360	2,790,023	11,456,766	9,539,905	1,916,861
Construction in progress	9,961,254	-	9,961,254	5,560,290	-	5,560,290
	$ 47,227,515	$ 16,966,140	$ 30,261,375	$ 41,025,253	$ 15,651,853	$ 25,373,400

5. Bank Indebtedness

The Burntwood Health Authority Inc. has an authorized line of credit of $1.7 million bearing interest at the bank's prime rate minus 1/2%. Security provided on this line of credit includes an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health. As at March 31, 2002, the line of credit had unused capacity of approximately $308,800.

6. Deferred Revenue

Deferred revenues consist of Manitoba Health funding for various programs received in the current fiscal year. This allocation of funding is recognized as revenue when program expenses are incurred. The change in the deferred revenues balance for the year is as follows:

	2002	2001
Balance, beginning of year	$ 492,556	$ 472,388
Amount recognized as revenue in the current year	623,834	355,907
Amount deferred in the current year	(563,776)	(335,739)
Balance, end of year	$ 552,614	$ 492,556

7. Lines of Credit

	2002	2001
Demand operating line of credit payable to the Royal Bank of Canada bearing interest at prime minus 0.65% and payments of $21,350 per month plus interest. Security includes an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health.	$ -	$ 8,758,670

8. Long-term Debt

	2002	2001
Note payable to Province of Manitoba Department of Finance with monthly principal payments of $54,167 plus interest at 6.25% due January 2022.	$ 12,891,667	$ -
Demand loan payable to Royal Bank with monthly principal and interest payments of $3,100, interest at prime less .65%.	345,369	-
	13,237,036	-
Current portion of long-term debt	676,940	-
	$ 12,560,096	$ -

The Royal Bank loans are secured by Letters of Comfort from Manitoba Health.

Principal payments due in the next five years are as follows:

2003	$ 676,940
2004	677,782
2005	678,650
2006	679,545
2007	680,468
	$ 3,393,385

9. Capital Lease Obligations

		2002		2001
The obligations under capital equipment lease are at rates of 6.0% and 6.5%, are due November 11, 2003 and December 4, 2003 and are repayable in monthly amounts of $1,360 and $1,839 principal and interest respectively.	$	56,787	$	92,114
The obligations under the lease are at rates of 2% above prime adjusted semi-annually. The lease which is under flexible repayment terms is currently being repaid over 15 years with payments of $16,681 (principal and interest).		1,578,770		1,632,939
		1,635,557		1,725,053
Amount due within one year included in current liabilities		93,933		93,933
	$	1,541,624	$	1,631,120

The obligations under capital leases are secured by certain plant and office equipment.

The future minimum lease payments for the next 5 years are as follows:

2003	$	93,933
2004		66,248
2005		54,000
2006		54,000
2007		54,000
	$	322,181

10. Deferred Capital Assets Grants

Deferred capital grants represent restricted capital funding received from the Manitoba Health and other funding partners for the purchase of depreciable capital assets.

Changes in the deferred capital grant balances during the year are as follows:

	2002	2001
Balance, beginning of year	$ 7,821,276	$ 7,525,806
Contributions received	470,947	537,880
Transfer from net assets	699,888	384,190
Recognized as revenue in the current year	(843,003)	(626,600)
Balance, end of year	$ 8,149,108	$ 7,821,276

11. Net Assets Invested in Capital Assets

	2002	2001
Capital assets	$ 30,261,375	$ 25,373,400
Due to operating fund	(1,326,296)	(388,096)
Accounts payable	(29,067)	(324,710)
Long term debt	(13,237,036)	(8,758,670)
Capital lease obligations	(1,635,557)	(1,725,053)
Deferred contributions	(8,149,108)	(7,821,276)
	$ 5,884,311	$ 6,355,595

12. Pension Plans

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor of the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5.0% of salary and 6.6% of salary over $39,100 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at January 1, 2002 indicates the Plan is fully funded.

13. Healthcare Insurance Reciprocal of Canada

On July 1, 1987 a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2002.

14. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

15. Inter Program Charges

Included in the statement of operations are inter program charges which result in a reduction in Regional health authority costs of $ 171,648 a reduction in acute costs of $ 158,708 a reduction in community health expenses of $ 54,336 and an increase in medical remuneration expenses of $ 386,325.

BDO

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AUDITORS' REPORT TO THE DIRECTORS

We have audited the statement of financial position of Churchill RHA Inc. as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the RHA's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

We did not attend the physical inventory taking at March 31, 2002 and March 31, 2001, and we were unable to satisfy ourselves as to the inventory quantities by other audit procedures. Accordingly, we are unable to determine whether any adjustments might be necessary to opening and closing inventory, revenue and expenditures and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to examine the inventory quantities referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the RHA as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Portage la Prairie, Manitoba
July 8, 2002

CHURCHILL RHA INC.

Statement of Financial Position

March 31, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Cash	$ 751	$ 29,889
Accounts receivable	356,937	318,742
Recoverable from Manitoba Health (note 3)	140,029	1,711,590
Goods and services tax recoverable	33,123	38,561
Inventory	236,412	281,897
Prepaid expenses	61,402	99,165
	828,654	2,479,844
Capital assets (note 4)	2,861,198	2,509,278
Deferred benefit entitlement	205,026	197,453
	$ 3,894,878	$ 5,186,575

	2002	2001

Liabilities and Deficiency in Net Assets

	2002	2001
Current liabilities:		
Bank indebtedness (note 5)	$ 868,790	$ 759,148
Bank loan - capital projects	738,737	436,061
Accounts payable and accrued liabilities	764,067	469,132
Accounts payable - capital	9,639	118,945
Accrued benefit entitlement	205,026	197,453
Security deposits	4,903	7,617
Payable to Manitoba Health (note 6)	-	28,774
Payable to Churchill RHA Health & Healing Foundation Inc.	9,803	9,803
Current portion of obligation under capital leases (note 7)	34,613	47,031
Deferred revenue	25,000	-
	2,660,578	2,073,964
Obligation under capital leases (note 7)	192,019	74,785
Deferred contributions (note 9)	1,398,124	2,117,351
	4,250,721	4,266,100
Deficiency in net assets:		
Invested in capital assets (note 10)	1,236,442	270,111
Externally restricted - donations (note 11)	-	22,316
Externally restricted - separately funded programs (note 11)	113,610	168,084
Unrestricted	(1,705,895)	459,964
	(355,843)	920,475
Contingencies (note 12)		
	$ 3,894,878	$ 5,186,575

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CHURCHILL RHA INC.

Statement of Operations

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Manitoba Health funded:		
Hospital	$ 4,155,264	$ 3,958,874
Diagnostic services	344,622	359,872
Medical clinic	278,520	278,520
Dental clinic	137,666	137,760
Community services	645,708	641,207
Addictions program	57,000	57,000
Northern patient transportation program	505,394	676,143
Land ambulance	93,363	127,488
Home care	31,008	43,009
Amortization of deferred contributions	312,000	252,000
Offset income	713,660	604,865
	7,274,205	7,136,738
Separately funded programs:		
Churchill Child and Family Services	162,464	327,281
Receiving home	288,926	289,849
Nunavut services	69,196	102,761
Baby First and Women and Infant Nutrition programs	36,725	34,300
	557,311	754,191
Ancillary income, net (schedule)	53,815	48,528
	7,885,331	7,939,457
Expenditures:		
Manitoba Health funded:		
Hospital	5,254,768	4,487,248
Diagnostic services	521,611	358,841
Medical clinic	312,585	278,124
Dental clinic	136,713	138,977
Community services	642,300	641,727
Addictions program	54,377	57,668
Northern patient transportation program	996,059	676,767
Land ambulance	173,624	127,280
Home care	39,095	35,938
Regional Health Authority administrative costs	65,265	50,627
Amortization of capital assets	358,838	318,597
Interest and bank charges	22,582	19,653
Interest on obligation under capital lease	13,352	11,879
	8,591,169	7,203,326
Separately funded programs:		
Churchill Child and Family services	167,695	307,016
Receiving home	350,903	274,762
Nunavut services	60,527	81,972
Baby First and Women and Infant Nutrition programs	32,660	34,007
	611,785	697,757
	9,202,954	7,901,083
Excess of (expenditures) revenue before other income	(1,317,623)	38,374
Other income:		
Prior years deficit funding	28,774	327,553
Gain on disposal of capital assets	12,531	-
	41,305	327,553
Excess of (expenditures) revenue	$ (1,276,318)	$ 365,927

See accompanying notes to financial statements.

CHURCHILL RHA INC.

Statement of Changes in Net Assets

Year ended March 31, 2002, with comparative figures for 2001

	Invested in Capital Assets	Externally Restricted Donations	Externally Restricted Separately Funded Programs	Unrestricted	2002 Total	2001 Total
Balance, beginning of year	$ 270,111	$ 22,316	$ 168,084	$ 459,964	$ 920,475	$ 554,548
Excess of (expenditures) revenue	(46,838)	1,875	(46,588)	(1,184,767)	(1,276,318)	365,927
Interfund transfers	1,013,169	(24,191)	(7,886)	(981,092)	-	-
Balance, end of year	$ 1,236,442	$ -	$ 113,610	$ (1,705,895)	$ (355,843)	$ 920,475

See accompanying notes to financial statements.

CHURCHILL RHA INC.

Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used in):		
Operating activities:		
Excess of (expenditures) revenue	$ (1,276,318)	$ 365,927
Items not involving cash:		
Amortization of deferred contributions	(312,000)	(252,000)
Amortization of capital assets	358,838	318,597
Gain on disposal of capital assets	(12,531)	-
	(1,242,011)	432,524
Net change in non-cash operating working capital:		
Accounts receivable	(38,195)	34,175
Goods and services taxes recoverable	5,438	(281)
Recoverable from Manitoba Health	952,471	(806,772)
Inventory	45,485	63,737
Prepaid expenses	37,763	(78,325)
Accounts payable and accrued liabilities	294,935	(349,471)
Accrued benefit entitlements	-	19,194
Security deposits	(2,714)	(1,150)
Deferred revenue	25,000	-
	1,320,183	(1,118,893)
	78,172	(686,369)
Financing and investing activities:		
Additions to capital assets	(726,350)	(930,375)
Deferred contributions	183,089	777,247
Increase in obligation under capital leases, net of repayments	104,816	55,500
Accounts payable - capital	(109,306)	82,330
Proceeds from disposition of capital assets	28,123	-
	(519,628)	(15,298)
Decrease in cash	(441,456)	(701,667)
Cash, beginning of year	(1,165,320)	(463,653)
Cash, end of year	$ (1,606,776)	$ (1,165,320)
Cash position is comprised of the following:		
Cash	$ 751	$ 29,889
Bank loan - capital projects	(738,737)	(436,061)
Bank indebtedeness	(868,790)	(759,148)
	$ (1,606,776)	$ (1,165,320)

See accompanying notes to financial statements.

General:

Churchill RHA Inc. was incorporated in 1996 under the Corporations Act of Manitoba as a Corporation without share capital. Churchill RHA Inc. is the regional health authority for the Churchill Health Centre. The RHA provides hospital and social service facilities to Churchill and the surrounding area, including eight communities in the Kiviliq Region. The RHA is a registered charitable organization under the Income Tax Act.

1. **Significant accounting policies:**

(a) Accounting for operations:

Funding is provided by Manitoba Health on an expense-recovery basis for out-of-globe expenditures, including debt principal repayment and interest expense. Funding provided by Manitoba Health for all other eligible operations is provided in accordance with the approved in-globe budget. The facility is responsible for any in-globe deficits not approved by Manitoba Health, but may retain in-globe surpluses up to a specified maximum (presently at 2% of net in-globe revenues over expenses). Additional funding may be provided by Manitoba Health for in-globe expenses not initially included in the budget.

The RHA's operations are subject to an annual review and control by The Province of Manitoba through Manitoba Health, which provides the hospital with the majority of its revenue. Adjustments to surplus or deficit upon the completion of Manitoba Health's final review are charged to the statement of operations in the year Manitoba Health completes their review.

(b) Revenue recognition:

The RHA follows the deferral method of accounting for contributions, which include donations and Government grants.

Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received at the end of the accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions, including capital grants, are recognized in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Investment income, with the exception of that relating to externally restricted donations, is unrestricted and is recognized as revenue when earned.

1. Significant accounting policies (continued):

(c) Inventory:

Inventory is stated at the lower of cost and net realizable value, using a first-in, first-out basis of calculation.

(d) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the RHA's ability to provide services, its carrying value is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2.5%
Building service equipment	4% - 10%
Major equipment	6.7% - 20%
Equipment under capital lease	20%
Computers	20%

(e) Separately funded programs:

Adjustments to prior years, if any, resulting from a final review by the funding agency, are charged to the statement of operations in the year the funding agency completes their review.

(f) Accrued benefit entitlements:

Benefit entitlements, which include vacation pay and pre-retirement leave entitlements, are recorded in the year that the services to which they relate are provided. Accrued benefit entitlements are recorded to the extent that a liability exists at year end.

Funding for the entitlements is provided by Manitoba Health in the period in which the actual vacation pay costs and pre-retirement leave costs are paid, which in the case of vacation pay normally occurs in the subsequent fiscal year.

Accordingly, the cost of estimated accrued benefit entitlements at year end is deferred to enable an appropriate matching of expenses with income received in the subsequent year.

(g) Management estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires Management to make certain estimates and assumptions that

1. Significant accounting policies (continued):

affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

2. Financial instruments:

a) Credit risk:

The RHA is exposed to credit risk on the accounts receivable. An allowance for doubtful accounts has been established by the RHA, based upon factors surrounding the credit risk of specific entities, historical trends and other information.

b) Fair value:

Due to the short-term nature of all financial instruments, the carrying values as presented in the financial statements are reasonable estimates of fair value. Management has estimated fair value by reference to established financial markets. As is true for all estimates, actual fair value could differ from this estimate and, if so, any difference would be accounted for in the period in which it becomes known.

3. Recoverable from Manitoba Health:

	2002	2001
Deficit financing - March 31, 2000	$ -	$ 327,553
Capital asset financing	12,704	701,037
Deficit financing - March 31, 2001	127,325	683,000
	$ 140,029	$ 1,711,590

4. Capital assets:

	Cost	Accumulated amortization	2002 Net book value	2001 Net book value
Buildings	$ 864,734	$ 558,284	$ 306,450	$ 328,069
Building service equipment	1,946,390	348,373	1,598,017	1,346,792
Major equipment	2,983,793	2,257,042	726,751	700,145
Equipment under capital lease	212,074	63,542	148,532	32,798
Computers	391,810	310,362	81,448	101,474
	$ 6,398,801	$ 3,537,603	$ 2,861,198	$ 2,509,278

5. Bank indebtedness:

Bank indebtedness is secured by Manitoba Health to a maximum of $1,437,000 in accordance with Section 43(1) of the Regional Health Authorities Act.

6. Payable to Manitoba Health - Manitoba Health progams surplus repayable:

	2002	2001
Surplus repayable - 1998	$ -	$ 28,774
	$ -	$ 28,774

7. Obligation under capital leases:

The following is a schedule of minimum lease payments under several fixed-rate capital leases, expiring at dates between March 2004 and November 2011, together with the balance of the obligation:

7. Obligation under capital leases (continued):

2003	$	51,282
2004		51,284
2005		46,470
2006		46,567
2007		37,936
Thereafter		51,438
Total minimum lease payments		284,977
Less amount representing interest from 5.3% to 13.9%		58,345
Present value of capital lease payments		226,632
Less current portion included in current liabilities		34,613
	$	192,019

8. Deficiency of revenue over expenditures in Children's Centre:

Any excess or deficiency of revenue over expenditures incurred by the Children's Centre is the responsibility of the RHA. As a result, the excess or deficiency of revenue over expenditures incurred by the Children's Centre is to be transferred annually from Externally Restricted - Separately Funded Programs to Unrestricted Net Assets.

9. Deferred contributions:

Deferred capital contributions related to capital assets represent the unamortized amount of funding assistance received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows:

	2002	2001
Balance, beginning of year	$ 2,117,351	$ 1,592,104
Add: contributions received	183,089	777,247
Less: amounts amortized to revenue	(312,000)	(252,000)
Less: amount financed through bank loan - capital projects	(590,316)	-
	$ 1,398,124	$ 2,117,351

10. Invested in capital assets:

Net assets invested in capital assets is determined as follows:

	2002	2001
Capital assets	$ 2,861,198	$ 2,509,278
Deferred contributions	(1,398,124)	(2,117,351)
Obligations under capital lease	(226,632)	(121,816)
	$ 1,236,442	$ 270,111

11. External restrictions:

(a) Donations:

Donors have placed restrictions on the use of donations. The most significant restrictions limit the disbursement to the purchase of diagnostic equipment, Children's Centre playground equipment and library materials. Investment income earned on this amount is restricted for the same purposes as the donations.

(b) Separately funded programs:

The various surpluses and deficits of the separately funded programs are aggregated and recorded as one figure in the financial statements. They remain designated for the respective separately funded program.

Accumulated surplus - Receiving home	$ 96,457
Accumulated deficit - Churchill Child and Family Services	(11,126)
Accumulated surplus - Health promotion	2,748
Accumulated deficit - Baby First and Women and Infant Nutrition programs	(3,927)
Accumulated surplus - Nunavut services	29,458
	$ 113,610

12. Contingencies:

The nature of the RHA's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2002, Management believes the RHA has valid defences and appropriate insurance coverage in place. In the event any claims are successful, Management believes that such claims are not expected to have a material effect on the RHA's financial position.

A group of hospitals, including the RHA, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2002.

13. Pension plan:

Employees of the RHA participate in the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan.

The RHA's liability under this pension plan is limited to the contributions required during the year under the pension plan agreement.

The RHA's contributions made to the plan during the year amounted to $116,818 (2001 - $99,175) and are included in the statement of operations.

14. Economic dependence:

The Churchill RHA Inc. received the majority of its total revenue for the year ended March 31, 2002 from Manitoba Health.

Grant Thornton LLP
Chartered Accountants
Management Consultants
Canadian Member of
Grant Thornton International

Grant Thornton

Auditors' Report

To the Chairman and Members of the Board of
Interlake Regional Health Authority Inc.

We have audited the consolidated statement of financial position of the Interlake Regional Health Authority Inc. as at March 31, 2002 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Regional Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Interlake Regional Health Authority Inc. as at March 31, 2002 and the results of its consolidated operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Chartered Accountants

Winnipeg, Canada
May 24, 2002

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Interlake Regional Health Authority Inc.
Consolidated Statement of Financial Position

March 31	2002	2001
Assets		
Current		
Cash and cash equivalents	$ 6,964,013	$ 7,478,215
Accounts receivable	722,030	301,369
Due from Manitoba Health (Note 3)	932,838	1,809,253
Inventories	618,626	573,286
Prepaid expenses	107,688	342,845
Deferred charges (Note 2)	5,818,437	5,161,537
	15,163,632	15,666,505
Other assets	95,607	168,092
Capital assets (Note 4)	31,362,527	31,322,917
	$ 46,621,766	$ 47,157,514
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 3,859,769	$ 4,345,875
Accrued vacation and pre-retirement costs (Note 2)	5,818,437	5,161,537
Current portion of long-term debt	1,110,687	1,286,846
	10,788,893	10,794,258
Due to Betel Heritage Foundation Inc. (Note 5)	293,000	293,000
Long-term debt (Note 6)	14,189,655	14,989,341
Deferred contributions (Note 7)	15,424,963	15,021,123
	40,696,511	41,097,722
Net Assets		
Investment in capital assets (Note 8)	2,654,323	1,353,336
Internally restricted	1,282,577	1,044,721
Externally restricted	649,721	659,685
Unrestricted	922,240	2,719,034
Contract facilities	416,394	283,016
	5,925,255	6,059,792
	$ 46,621,766	$ 47,157,514

Commitments and contingencies (Note 11)

See accompanying notes to the consolidated financial statements.

Interlake Regional Health Authority Inc.
Consolidated Statement of Operations

Year Ended March 31	2002	2001
Revenue		
Manitoba Health (Note 15)	$ 57,669,388	$ 55,395,260
Client out-of-globe	4,744,185	4,463,818
Offset and other income	2,690,132	2,476,878
Amortization of deferred contributions (Note 7)	2,122,280	2,104,701
Interest	249,664	526,213
Ancillary income	174,035	166,131
	67,649,684	65,133,001
Expenditures		
Acute care	17,585,481	16,766,535
Long-term care	16,704,545	16,186,564
Home based care	8,666,971	8,891,527
Community health	5,758,185	5,160,553
Diagnostic services	3,937,698	3,175,693
Medical remuneration	3,731,054	3,514,175
Emergency response and transport	2,802,440	2,534,399
Mental health	2,595,903	2,482,990
Regional undistributed expenditures	2,134,352	2,036,097
Amortization	2,100,127	2,115,818
Dialysis	705,270	651,161
Safety and renovations	450,877	482,811
Chemotherapy	408,390	419,773
Ancillary operations operating expenditures	186,965	154,172
Nurse recruitment and retention	101,270	34,520
	67,869,528	64,606,788
(Deficiency) excess of revenues over expenditures	$ (219,844)	$ 526,213
Allocated as follows:		
Regional services	$ (257,951)	$ 538,153
Contracted services	38,107	(11,940)
	$ (219,844)	$ 526,213

See accompanying notes to the consolidated financial statements.

Interlake Regional Health Authority Inc.
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2002

	Investment in Capital Assets	Internally Restricted	Externally Restricted	Unrestricted	2002 Total	2001 Total
Health Facilities						
Balance, beginning of year As previously reported	$ 1,353,336	$ 1,044,721	$ 659,685	$ 2,719,034	**$ 5,776,776**	$ 5,015,398
Adjustments of prior year balances						223,225
As restated	1,353,336	1,044,721	659,685	2,719,034	**5,776,776**	5,238,623
Capital assets financed (net of adjustments)	1,273,917			(1,273,917)		
Payout of externally restricted net assets			(9,964)		**(9,964)**	
(Deficiency) excess of revenues over expenditures	27,070			(285,021)	**(257,951)**	538,153
Reallocation of interest earned on donation and operating funds		237,856		(237,856)		
	2,654,323	1,282,577	649,721	922,240	**5,508,861**	5,776,776
Contract Facilities						
Balance, beginning of year As previously reported	312,693			(111,864)	**200,829**	212,769
Adjustments of prior year balances (Note 14)	(84,532)			166,719	**82,187**	82,187
As restated	228,161			54,855	**283,016**	294,956
Funding adjustments of prior years				91,241	**91,241**	
Capital assets financed (net of adjustments)	4,030				**4,030**	
(Deficiency) excess of revenues over expenditures	(4,917)			43,024	**38,107**	(11,940)
	227,274			189,120	**416,394**	283,016
Balance, end of year	$ 2,881,597	$ 1,282,577	$ 649,721	$ 1,111,360	**$ 5,925,255**	$ 6,059,792

See accompanying notes to the consolidated financial statements.

Interlake Regional Health Authority Inc.
Consolidated Statement of Cash Flows

Year Ended March 31	2002	2001
Increase (decrease) in cash and cash equivalents		
Operating		
(Deficiency) excess of revenues over expenditures	$ (219,844)	$ 526,213
Items not affecting cash		
Amortization	2,100,127	2,115,818
Amortization of deferred contributions	(2,122,280)	(2,104,701)
	(241,997)	537,330
Change in non-cash operating working capital (Note 9)	159,465	(1,560,520)
	(82,532)	(1,023,190)
Financing		
Funding adjustments of prior years - contract facilities	91,241	
(Decrease) increase in long-term debt - net	(975,845)	475,143
Increase in deferred contributions - net	2,526,119	1,919,917
Payout of externally restricted net assets	(9,964)	
	1,631,551	2,395,060
Investing		
Decrease in other assets	72,486	63,145
Acquisition of capital assets - net	(2,135,707)	(1,369,447)
	(2,063,221)	(1,306,302)
Net (decrease) increase in cash and cash equivalents	(514,202)	65,568
Cash and cash equivalents, beginning of year	7,478,215	7,412,647
Cash and cash equivalents, end of year	$ 6,964,013	$ 7,478,215
Other information		
Interest paid during the year	$ 888,404	$ 1,064,265

See accompanying notes to the consolidated financial statements.

Interlake Regional Health Authority Inc.
Notes to the Consolidated Financial Statements
March 31, 2002

1. Purpose of the organization

Interlake Regional Health Authority Inc. (the "Region") is incorporated and is principally involved providing health care services to the Interlake Region of Manitoba. The Region is a not-for-profit organization and accordingly is exempt from income taxes provided certain requirements under the Income Tax Act are met.

2. Summary of significant accounting policies

The consolidated financial statements include the operations of two contract facilities. Betel Home, Gimli and Betel Home, Selkirk and have been prepared by management in accordance with Canadian generally accepted accounting principles.

Revenue recognition

The Region follows the deferral method of accounting for contributions, which includes donations and government grants. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred.

Under the Health Insurance Act, the Region is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of the accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. The financial statements reflect agreed arrangements approved by Manitoba Health with respect for the year ended March 31, 2002.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenditures are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, residential charges and marketed services are recognized when the services are provided.

Inventories

Inventories are valued at lower of cost or replacement cost. Cost is generally determined on an average cost basis.

2. Summary of significant accounting policies (continued)

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at net book value at the date of contribution. Repairs and maintenance costs are charged to expenditures. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Region's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight line basis using the following rates:

Building	3.33% and 5%
Equipment	10% - 20%
Land improvements	5%
Ambulance equipment	20%

Construction-in-progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to capital assets.

Accrued vacation pay

The Region records a liability for accrued vacation pay. Funding for the accrued vacation pay is recoverable from the Province of Manitoba as a component of salary costs for the subsequent year.

Compensated absences

Compensation expense is accrued to all employees as entitlement to these payments is earned in accordance with the Region's benefit plans for vacation, sick leave and retirement allowances.

Pre-retirement costs

Commencing April 1, 2000, the Region prospectively applied the new accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

The Region has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

i) have ten years service and have reached the age of 55 or

ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

The Region has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the retirement entitlement is recoverable from the Province of Manitoba on an out-of-globe basis in the year of payment. The significant actuarial assumptions used in measuring the Region's accrual for pre-retirement costs include a discount rate of 6.5% and a rate of salary increase of 4% plus age related merit/promotion scale with nil for disability

2. Summary of significant accounting policies (continued)

Deferred charges

Funding for vacation pay and pre-retirement costs is provided by the Province of Manitoba in the period in which expenditures are made. Accordingly, the cost of the estimated accrued vacation pay and pre-retirement costs at year-end is deferred to enable an appropriate matching of expenses with revenue secured in subsequent years.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less. Bank borrowings are considered to be financing activities.

Use of estimates

In preparing the Region's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

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3. Due from Manitoba Health

	2002	2001
Commitments	**$ 634,485**	$ 1,774,875
Prior years' adjustments	**160,140**	(103,835)
2000/2001 out-of-globe adjustments and advances	**138,213**	138,213
	$ 932,838	$ 1,809,253

---

4. Capital assets

	Cost	Accumulated Amortization	2002 Net Book Value	2001 Net Book Value
Land (Note 13)	$ 185,518	$	**$ 185,518**	$ 185,518
Land improvements	370,102	344,844	**25,258**	44,088
Building	44,538,445	18,542,643	**25,995,802**	26,626,375
Ambulances	771,260	665,341	**105,919**	179,514
Equipment	11,605,833	7,357,832	**4,248,001**	3,053,023
Construction in progress	802,029		**802,029**	1,234,399
	$ 58,273,187	$ 26,910,660	**$ 31,362,527**	$ 31,322,917

5. Due to Betel Heritage Foundation Inc.

The amount payable to Betel Heritage Foundation Inc. is non-interest bearing with no specified terms of repayments.

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6. Long-term debt	**2002**	2001
Debenture payable The debenture bears an interest rate of 6.375% per annum, principal repayable monthly at $70,513, plus interest. The debenture matures in March, 2015.	**$ 11,000,000**	$
Debentures payable The debentures bear an interest rate of 13.625% per annum, interest repayable semi-annually, with principal payable in annual installments of $111,300. The debentures' maturity dates vary from the year 2002 to 2004.	**333,900**	582,400
Mortgages payable The mortgages bear interest at rates varying form 5.375% to 10.375% per annum and are secured by mortgages on the Region's land and buildings. The mortgages' maturity dates vary from the year 2002 to 2029.	**3,471,813**	3,572,903
Bank loans The construction loans bear interest at the prime rate less .75% per annum, are repayable at $29,535 per month principal, plus interest, and are secured by an assignment of fire insurance and a letter of comfort from Manitoba Health. The loans' maturity dates vary from 2002 to 2011.	**494,629**	12,120,884
	15,300,342	16,276,187
Less: current portion	**1,110,687**	1,286,846
	$ 14,189,655	$ 14,989,341

Principal payments in each of the next five years are due as follows:

2003	$ 1,110,687
2004	1,117,031
2005	1,123,782
2006	1,019,665
2007	1,027,309

Interlake Regional Health Authority Inc.
Notes to the Consolidated Financial Statements
March 31, 2002

7. Deferred contributions

Expenditures of future periods	2002	2001
Balance, beginning of year		
As previously reported	$ 1,722,609	$ 1,587,743
Adjustment of prior year balances (Note 14)	(166,719)	(166,719)
As restated	1,555,890	1,421,024
Add: Donations and grants received	757,923	657,256
Funding for reserve for major repairs	33,886	26,965
Less: Expenditures	(103,324)	(543,891)
Adjustments to Foundations and net assets		(5,464)
Balance, end of year	$ 2,244,375	$ 1,555,890
Capital assets		
Balance, beginning of year		
As previously reported	$ 13,380,701	$ 13,700,350
Adjustment of prior year balances (Note 14)	84,532	84,532
As restated	13,465,233	13,784,882
Add: Additional contributions allocated	1,837,635	1,863,342
Less: Amounts amortized to revenue	(2,122,280)	(2,104,701)
Capital assets purchased from unspent contributions		(78,290)
Balance, end of year	$ 13,180,588	$ 13,465,233
Total deferred contributions	$ 15,424,963	$ 15,021,123

Deferred contributions related to expenditures of future periods represent unexpended donations received, which are externally restricted for the purposes of major repairs and unexpended grants for the purchase of capital assets.

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants expended for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

8. Investment in capital assets	2002	2001
Investment in capital assets is calculated as follows:		
Property and equipment	**$ 31,362,527**	$ 31,322,917
Amounts financed by:		
Deferred contributions - purchased capital assets	**(13,180,588)**	(13,465,233)
Long-term debt	**(15,300,342)**	(16,276,187)
	2,881,597	1,581,497
Less: Net assets invested in capital assets - contract facilities	**227,274**	228,161
	$ 2,654,323	$ 1,353,336

9. Supplemental cash flow information	2002	2001
Change in non-cash operating working capital		
Accounts receivable	**$ (420,661)**	$ 354,389
Due from Manitoba Health	**876,415**	(1,385,991)
Inventories	**(45,340)**	(151,002)
Prepaid expenses	**235,157**	(273,697)
Deferred charge vacation and pre-retirement costs	**(656,900)**	(2,483,101)
Accounts payable and accrued liabilities	**(486,106)**	(104,219)
Accrued vacation and pre-retirement pay	**656,900**	2,483,101
	$ 159,465	$ (1,560,520)

10. Fair value of financial instruments

The carrying amount of short-term financial assets and liabilities is a reasonable estimate of the fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash and cash equivalents and accounts receivable. Short-term financial liabilities are comprised of accounts payable and accrued liabilities.

11. Commitments and contingencies

The nature of the Region's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2002, management believes the Region has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Region's financial position.

A group of Health Corporations including Interlake Regional Health Authority Inc., have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2002.

12. Pension plan

Many of the employees of the Region are members of the Health Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provide the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with 5% to 6.6% of base salary contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to match employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at January 1, 2001 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Region on behalf of its employees amount to $1,212,668 (December 31, 2000, $1,017,976) and are included in the consolidated statement of operations.

13. Capital assets - land

The title and ownership of the land on which the Stonewall Health Centre was constructed is jointly held by the four sponsors for the facility, namely:

- Town of Stonewall
- R. M. of Rosser
- R. M. of Woodlands
- R. M. of Rockwood

The process of having the title transferred has been completed subsequent to the year end, on May 21, 2002.

14. Adjustment of prior year balances

During the 2002 year, it was noted by the contract facilities, that in years prior to 1998, that purchases made from the reserve for equipment replacement were charged to operations instead of deferred contributions.

Adjustments have been made in the records of the contract facilities to reflect the unexpended balance of deferred contributions relating to equipment replacement and the resulting change in amortization of deferred contributions relating to prior years. The net effect of these changes has been to decrease the previously reported deferred contributions for the year ended March 31, 2001 by $82,187 and increase net assets as at March 31, 2001 by the same amount. The previously reported excess of revenue over expenditures remains unchanged.

15. Revenue - Manitoba Health

	2002	2001
Per rate recommendation	**$ 57,888,026**	$ 54,424,411
Equipment allocation	**(340,100)**	(380,364)
Principal funding	**(1,225,043)**	(1,151,244)
Reserve for major repairs funding	**(26,965)**	(26,976)
	56,295,918	52,865,827
Additional program funding received during year	**195,957**	92,727
Baby First and WIN	**213,371**	99,552
Safety and renovations	**522,217**	479,739
CUPE wage parity retroactive	**110,477**	
MGEU professional technical wage parity retroactive	**35,752**	
MGEU community clerical retroactive	**14,743**	
MGEU EMS retroactive	**150,910**	
MAHCP wage parity retroactive	**26,049**	
Employee Assistance Program	**15,795**	
Compensation to physicians who participate on regional committees	**50,007**	
Recruitment and retention	**98,611**	34,454
Payment of out-of-globe items and adjustments	**(60,419)**	983,621
MGEU contract settlement April 1, 1999 to March 31, 2001		833,142
Flood relief		6,198
	$ 57,669,388	$ 55,395,260

16. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.

MNP
MEYERS NORRIS PENNY

To the Board of Directors
Marquette Regional Health Authority

AUDITORS' REPORT

We have audited the statement of financial position of Marquette Regional Health Authority as at March 31, 2002 and the statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Marquette Regional Health Authority as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP
Chartered Accountants

Brandon, Manitoba
June 7, 2002

an independent member of
BAKER TILLY
INTERNATIONAL

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
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MARQUETTE REGIONAL HEALTH AUTHORITY
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2002

	2002	2001 (Restated)
ASSETS		
CURRENT ASSETS		
Cash and investments	2,531,670	828,511
Accounts receivable - 2001/02 Deficit (2000/01 Deficit)	1,357,557	2,254,075
Accounts receivable - Other	1,003,395	902,782
Inventory	843,747	800,836
Prepaid expenses	328,347	233,519
Deferred vacation expenses	2,366,653	2,293,169
	8,431,369	7,312,892
DEFERRED SEVERANCE EXPENSES	3,494,878	3,298,504
CAPITAL ASSETS (Note 3)	36,278,628	37,856,267
	48,204,875	48,467,663
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	3,069,374	3,174,172
Accrued vacation payable	2,366,653	2,293,169
Current portion of long-term debt (Note 4)	1,168,156	1,140,507
	6,604,183	6,607,848
ACCRUED SEVERANCE PAYABLE	3,494,878	3,298,504
LONG-TERM DEBT (Note 4)	16,596,178	17,471,236
DEFERRED CONTRIBUTIONS (Note 5)	20,804,924	21,324,763
	47,500,163	48,702,351
NET ASSETS		
Invested in capital assets	1,141,365	1,249,892
Internally restricted	60,729	60,729
Unrestricted (deficit)	(497,382)	(1,545,309)
	704,712	(234,688)
	48,204,875	48,467,663

MARQUETTE REGIONAL HEALTH AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED MARCH 31, 2002

	Invested in Capital Assets	Internally Restricted	Unrestricted	**2002 Total**	2001 Total (Restated)
Balance, beginning of year	1,249,892	60,729	(1,545,309)	**(234,688)**	(1,175,489)
Current year contributions	-	-	-	-	20,729
Year end settlements - prior years'	-	-	971,700	**971,700**	920,072
Amortization	(55,219)	-	55,219	-	-
Disposals of capital assets	(54,273)	-	21,885	**(32,388)**	-
Transferred from deferred contributions	965	-	(877)	**88**	-
Balance, end of year	1,141,365	60,729	(497,382)	**704,712**	(234,688)

MARQUETTE REGIONAL HEALTH AUTHORITY
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001 (Restated)
REVENUE		
Manitoba Health operating revenue	47,792,349	44,813,767
Other government departments	339,204	323,422
Non-insured revenue	5,365,512	5,296,460
Other revenue	1,176,947	1,198,986
Amortization of deferred contributions	2,366,842	1,960,670
Ancillary operations	668,112	654,250
	57,708,966	54,247,555
EXPENSES		
Acute care services	16,432,498	15,789,964
Long-term care services	18,521,101	18,026,080
Medical remuneration	4,926,059	4,551,130
Diagnostic services	2,784,435	2,489,856
Community therapy services	455,825	360,511
Home care	4,058,920	4,091,464
Community based health services	3,139,010	2,790,153
Land ambulance services	1,624,591	1,113,774
RHA administration	2,218,442	1,859,879
Amortization of capital assets	2,206,312	1,864,538
Interest on long-term debt	673,661	655,956
Ancillary operations	507,588	531,901
	57,548,442	54,125,206
EXCESS OF REVENUE OVER EXPENSES	160,524	122,349
ALLOCATED		
Deferred contributions	160,524	122,349

MARQUETTE REGIONAL HEALTH AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2002

	2002	2001 (Restated)
CASH PROVIDED BY (USED FOR):		
OPERATING		
Excess of revenue over expenses	160,524	122,349
Amortization of capital assets	2,265,106	1,932,229
Amortization of deferred contributions	(2,366,842)	(1,960,670)
Net change in non-cash working capital (Note 6)	553,368	(683,681)
	612,156	(589,773)
INVESTING		
Purchase of capital assets	(719,855)	(6,678,481)
Proceeds on disposal of capital assets	32,388	-
Increase (decrease) in deferred contributions	1,686,479	(2,957,397)
Increase in net assets	939,400	940,801
	1,938,412	(8,695,077)
FINANCING		
Advances on long-term debt	1,019,929	11,142,545
Repayment of long-term debt	(1,867,338)	(1,405,537)
	(847,409)	9,737,008
INCREASE IN CASH RESOURCES	1,703,159	452,158
CASH RESOURCES, BEGINNING OF YEAR	828,511	376,353
CASH RESOURCES, END OF YEAR	2,531,670	828,511

MARQUETTE REGIONAL HEALTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

1. PURPOSE OF THE ORGANIZATION

The Health Authority is responsible for the planning, coordinating and providing of health services within the geographic area known as the Marquette Region of Manitoba.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the following significant accounting policies:

REVENUE RECOGNITION

The Health Authority follows the deferral method of accounting for contributions including government grants and donations.

The Health Authority is funded primarily through grants from Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. In accordance with funding arrangements with Manitoba Health, estimated final settlements are accrued in the fiscal period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Where a grant or other restricted contribution is received but relates to expenses of one or more future periods, it is deferred and recognized as revenue in the same period as the related expenses are recognized. Contributions restricted for the purchase of capital assets or to repay a mortgage as a lump sum are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Amortization of capital assets is provided based on the Health Authority's estimate of useful lives of those assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

CAPITAL ASSETS

Capital assets are recorded at cost. Normal maintenance and repairs are expensed as incurred. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	2% to 10%
Buildings	2% to 5%
Automotive and other equipment	10% to 20%

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

INVENTORY

Inventory consists of general stores, pharmacy, linen and other. All inventories are valued at cost on the first-in, first-out basis.

INVESTMENTS

Investments are recorded at the lower of cost or net realizable value.

DEFERRED VACATION AND SEVERANCE EXPENSES

Certain accrued employee benefit costs, including vacation pay and pre-retirement leave are recorded in accordance with the policy determined by Manitoba Health. This policy is to disclose the amount of both the accrued liability of these costs and the related amount receivable from Manitoba Health separately in the statement of financial position. Neither the change of the accrued liability or the related receivable is recorded in the statement of operations.

CONSOLIDATED ENTITIES

The following entities have been consolidated into these financial statements as at March 31, 2002 and March 31, 2001 respectively.

Hamiota District Health Centre Inc. Lilac Residence (East Wing)
Hamiota District Health Centre Inc. Lilac Residence (North Wing)
Morley House of Shoal Lake Elderly Persons Housing
Morley House of Shoal Lake Lakeshore Lodge
Pioneer Lodge Inc.
Riverdale Personal Care Home Inc. Westwood Lodge

The financial statements of the above entities are prepared in accordance with the accounting principles followed by the Marquette Regional Health Authority.

MARQUETTE REGIONAL HEALTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

3. CAPITAL ASSETS

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	**261,580**	**-**	**261,580**	261,580
Land improvements	**997,965**	**477,634**	**520,331**	328,163
Buildings	**41,673,768**	**12,325,685**	**29,348,083**	18,950,950
Automotive and other equipment	**9,823,528**	**5,818,355**	**4,005,173**	3,596,151
Fully amortized assets	**11,955,188**	**11,955,188**	**-**	-
Construction in progress	**199,577**	**-**	**199,577**	12,716,745
Elderly persons housing land improvements, buildings and equipment	3,042,136	1,098,252	1,943,884	2,002,678
	67,953,742	**31,675,114**	**36,278,628**	37,856,267

4. LONG - TERM DEBT

Title of Issue	Interest Rate	Annual Repayment Terms	2002	2001
Birtle Health Services District				
Canada Mortgage & Housing Corporation - Mortgage	9.625%	$2,751 per month including interest	**322,587**	325,028
Carberry Plains District Health Centre				
Canada Mortgage & Housing Corporation - Mortgage	8.00%	$1,730 per month including interest	**219,540**	222,882
Hamiota District Health Centre				
Royal Bank - Flex Finance Bankers' Acceptance	Variable	$36,000 principal plus interest	**240,000**	213,000
Royal Bank - Flex Finance Bankers' Acceptance	Variable	$13,380 principal plus interest	**-**	65,000
Royal Bank - Flex Finance Bankers' Acceptance	Variable	$21,240 principal plus interest	**-**	23,000
Royal Bank - Loan - Renovation	Prime		**(25,090)**	(23,878)
Canada Mortgage & Housing Corporation - Mortgage	5.432%	$5,815 per month including interest	**720,639**	750,667

MARQUETTE REGIONAL HEALTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

4. LONG - TERM DEBT (Continued)

Title of Issue	Interest Rate	Annual Repayment Terms	2002	2001
Marquette Regional Health Authority				
Royal Bank - Loan - Minnedosa PCH Fire Alarm System Upgrade	Prime	$8,100 principal plus interest	**5,678**	13,778
Royal Bank - Loan - Minnedosa PCH Roof Repair	Prime	$8,640 principal plus interest	**6,895**	15,535
Royal Bank - Specialized Equipment Loan 1998/1999	Variable	$38,940 principal plus interest	**118,066**	157,006
Royal Bank - Specialized Equipment Loan 2000/2001	Variable	$10,920 principal plus interest	**153,011**	163,931
Royal Bank - Specialized Equipment Loan 2001/2002	Variable		**47,983**	-
Bank Loan - Carberry Hospital	Variable		**(116,261)**	(148,335)
Bank of Montreal - Carberry Hospital Flex Financing	Variable		**5,850,000**	6,000,000
Bank Loan - Shoal Lake Hospital	Variable		**(100,791)**	(221,515)
Bank of Montreal - Shoal Lake Hospital Flex Financing	Variable		**4,200,000**	4,500,000
Minnedosa Health District				
Canada Mortgage & Housing Corporation - Mortgage	8.00%	$3,109 per month including interest	**399,045**	404,707
Neepawa District Memorial Hospital				
Royal Bank - Flex Finance Bankers' Acceptance	Variable	$9,000 per month plus interest	**378,000**	477,000
Royal Bank - Loan - Renovation	Prime		**(9,622)**	(622)
Neepawa and District Elderly and Infirm Persons Housing Corporation Inc				
Canada Mortgage & Housing Corporation - Mortgage	5.75%	$1,876 per month including interest	**230,126**	239,283
Royal Bank - Flex Finance Bankers' Acceptance	Variable	$10,400 per month plus interest	**871,000**	986,000
Royal Bank - Loan - Renovation	Prime		**(32,163)**	(22,363)

MARQUETTE REGIONAL HEALTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

4. LONG - TERM DEBT (Continued)

Title of Issue	Interest Rate	Annual Repayment Terms	2002	2001
Riverdale District Health Centre				
Canada Mortgage & Housing Corporation - Mortgage	4.97%	$3,212 per month including interest	**403,564**	421,159
Rossburn District Health Centre				
Province of Manitoba - Debenture	13.375%	$40,000 principal plus interest	**35,000**	75,000
Province of Manitoba - Debenture	13.375%	$16,800 principal plus interest	**50,400**	67,200
Canada Mortgage & Housing Corporation - Mortgage	5.432%	$5,459 per month including interest	**681,106**	709,098
Russell District Health Centre				
Canada Mortgage & Housing Corporation - Mortgage	7.25%	$2,083 per month including interest	**269,129**	274,683
Sandy Lake Medical Nursing Home Inc.				
Canada Mortgage & Housing Corporation - Mortgage	7.875%	$2,303 per month including interest	**293,134**	297,859
Shoal Lake Strathclair Health Centre				
Province of Manitoba - Debenture	13.375%	$10,800 principal plus interest	**15,600**	26,400
Canada Mortgage & Housing Corporation - Mortgage	7.875%	$2,638 principal including interest	**334,847**	340,329
Pioneer Lodge Inc				
Canada Mortgage & Housing Corporation - Mortgage	6.00%	$986 per month including interest	**122,105**	126,555

4. LONG - TERM DEBT (Continued)

Title of Issue	Interest Rate	Annual Repayment Terms	2002	2001
Hamiota District Health Centre Inc - Lilac Residence (East Wing)				
Canada Mortgage & Housing Corporation - Mortgage	5.432%	$2,902 per month including interest	**359,692**	374,678
Hamiota District Health Centre Inc - Lilac Residence (North Wing)				
Manitoba Housing & Renewal Corporation - Mortgage	7.75%	$5,478 per month including interest	**696,491**	708,581
Morley House of Shoal Lake - Lakeshore Lodge				
Canada Mortgage & Housing Corporation - Mortgage	5.59%	$2,649 per month including interest	**311,797**	325,302
Canada Mortgage & Housing Corporation - Mortgage	5.59%	$149 per month including interest	**17,582**	18,344
Morley House of Shoal Lake EPH				
Canada Mortgage & Housing Corporation - Mortgage	5.375%	$396 per month including interest	**46,982**	49,168
Riverdale Personal Care Home Inc - Westwood Lodge				
Manitoba Housing & Renewal Corporation - Mortgage	10.75%	$6,478 per month including interest	**648,262**	657,283
			17,764,334	18,611,743
Less: Current Portion			**1,168,156**	1,140,507
			16,596,178	17,471,236

Estimated principal payments in the next five years:

2003	**1,168,156**
2004	**1,110,797**
2005	**1,118,554**
2006	**1,115,030**
2007	**1,124,219**

MARQUETTE REGIONAL HEALTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

5. DEFERRED CONTRIBUTIONS

EXPENSES OF FUTURE PERIODS

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment, major repairs, construction and other expenses.

	2002	2001
Balance, beginning of year	**3,364,187**	3,057,361
Current year contributions	**3,114,444**	1,968,435
Amount recognized as revenue	**(215,767)**	(168,772)
Capital assets purchased	**(239,332)**	(684,127)
Capital loan payments	**(1,077,043)**	(786,584)
Adjustments	**(31,940)**	68,068
Transfers	**(1,410,385)**	(58,631)
Transfers to others	**(45,502)**	(31,563)
Balance, end of year	**3,458,662**	3,364,187

CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount of funds received for the purchase of capital assets and the lump sum repayment of capital debt. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2002	2001
Balance, beginning of year	**17,960,576**	23,063,122
Adjustments	**(165,078)**	(951,496)
Capital loan payments	**1,077,043**	1,401,341
Capital assets purchased	**959,187**	7,362,608
Capital assets disposed of	**(11,399)**	-
Capital loan advanced	**(293,666)**	(11,111,200)
Transfers	**32,329**	58,631
Amount amortized to revenue	**(2,212,730)**	(1,862,430)
Balance, end of year	**17,346,262**	17,960,576
Total Deferred Contributions	**20,804,924**	21,324,763

MARQUETTE REGIONAL HEALTH AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2002

6. NET CHANGE IN NON-CASH WORKING CAPITAL

	2002	2001
Decrease (increase) in accounts receivable	**795,905**	(804,873)
Decrease (increase) in inventory	**(42,911)**	(4,690)
Decrease (increase) in prepaid expenses	**(94,828)**	(16,663)
Decrease (increase) in deferred expenses	**(73,484)**	(37,301)
Increase (decrease) in accounts payable	**(104,798)**	142,545
Increase (decrease) in vacation payable	**73,484**	37,301
	553,368	(683,681)

7. FINANCIAL INSTRUMENTS

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or liabilities that may affect the amount, timing and certainty of future cash flows. Significant terms and conditions for other financial instruments are disclosed separately in these financial statements.

b) Credit risk

The Board is exposed to credit risk from the potential non-payment of accounts receivable. The majority of the Board's receivables are from Manitoba Health and other agencies. Therefore, the credit risk is felt to be minimal.

c) Fair Value

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- The carrying amounts of these financial instruments approximate fair value.
  - cash and short term investments
  - accounts receivable
  - accounts payable
  - accrued vacation and severance payable
  - long-term debt
- For investments, the fair value is considered to approximate the recorded cost values.

8. COMPARATIVE FIGURES

Certain of the comparative figures have been restated to conform to the current year's presentation.

9. ECONOMIC DEPENDENCE

As the Organization's primary source of revenue is derived from funding from Manitoba Health, its ability to continue viable operations is dependent upon maintaining this relationship.

10. SUBSEQUENT EVENT

On April 30, 2002, the Board of Directors of the Marquette Regional Health Authority resolved to amalgamate the Marquette Regional Health Authority with the South Westman Regional Health Authority. The effective date of the amalgamation is July 1, 2002.

KENDALL WALL PANDYA

Chartered Accountants

76 Main St., P.O. Box 175, Flin Flon, MB R8A 1M7 (204) 687-8211 Fax 687-2957

Partners .... David Kendall, FCA
Robert Wall, CA
Manisha Pandya, CA

AUDITOR'S REPORT

To the Chairperson and Board of Directors

We have audited the statement of financial position of NOR-MAN Regional Health Authority Inc. as at March 31, 2002 and the Statements of Operations, Net Assets, Deferred Contributions, and Cash Flow for the year then ended. These financial statements are the responsibility of the Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the NOR-MAN Regional Health Authority Inc. as at March 31, 2002 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Kendall Wall Pandya

Chartered Accountants

Flin Flon, MB
July 5, 2002

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2002

ASSETS

	Notes	2002	2001
CURRENT ASSETS			
Accounts receivable	5	$ 2,825,255	$ 2,088,414
Inventories	4c	505,054	377,777
Prepaid expense		112,087	55,474
Deferred charges	4e	4,236,566	4,119,771
CAPITAL ASSETS (Schedule 1)		30,617,282	29,830,063
		$38,296,244	$36,471,499

LIABILITIES

	Notes	2002	2001
CURRENT LIABILITIES			
Cash		$ 639,221	$ 635,227
Accounts payable		3,043,127	3,355,124
Accrued Benefit Entitlements	4e	4,236,566	4,119,771
Current portion of long-term debt	9	1,150,981	414,301
LONG-TERM DEBT	9	18,363,940	18,489,104
DEFERRED CONTRIBUTIONS	6		
Expenses of future periods		1,587,509	1,484,702
Capital assets		10,087,270	10,555,965
NET ASSETS			
Invested in capital assets	7	1,015,091	370,693
Internally restricted	8	55,166	53,986
Unrestricted		(1,882,627)	(3,007,374)
		$38,296,244	$36,471,499

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2002

	2002	2001
REVENUE		
Manitoba Health operating income	$39,529,278	$34,587,675
Manitoba Health year end adjustments	3,608,934	1,806,421
Non-insured income	4,690,656	4,639,941
Other income	2,824,037	2,652,576
Amortization of deferred contributions	2,128,837	1,027,145
Ancillary revenue	2,721,274	1,933,478
	55,503,016	46,647,236
EXPENSES		
Acute care	22,730,071	23,240,019
Long-term care	6,470,492	5,161,004
Medical remuneration	5,636,814	4,709,800
Community based therapy	286,668	346,559
Community services administration	350,859	389,569
Community based mental health	742,817	717,472
Community based home care	3,714,212	3,899,977
Community based health	1,646,019	1,496,399
Land ambulance	227,392	226,376
Regional health authority costs	1,994,896	2,288,168
Amortization of capital assets	2,201,729	1,027,145
Interest on long-term debt	889,570	190,983
Other - Northern Patient Transportation	3,504,574	3,498,659
Other - Rosaire House Addictions Centre	580,295	575,365
Ancillary expenses	2,756,283	1,737,112
	53,732,691	49,504,607
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	$ 1,770,325	$(2,857,371)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF DEFERRED CONTRIBUTIONS

FOR THE YEAR ENDED MARCH 31, 2002

	Deferred Contributions			
	Reserve for Major Repairs	Donations	Grant Reserves	Capital
Balance, beginning of year	$ 165,106	$ 765,138	$ 554,459	$10,095,857
Prior period adjustment, Note 11				460,108
Balance, beginning of year - Restated	165,106	765,138	554,459	10,555,965
Funding provision				166,200
Interest and donations		(29,883)		159,883
Debt reduction				1,215,059
Amortization				(2,128,837)
Deferred revenue	22,894		109,795	
Provision for Computer Replacement				119,000
	$ 188,000	$ 735,255	$ 664,254	$10,087,270

ee accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2002

	Net Assets			
	Invested in Capital Assets	Internally Restricted	Unrestricted	Total
Balance, beginning of year	$ 359,062	$ 53,986	$(2,300,405)	$(1,887,357)
Prior Period Adjustment - Note 11	11,631		(706,969)	(695,338)
Balance, Beginning of year - Restated	370,693	53,986	(3,007,374)	(2,582,695)
Surplus from operations	(72,892)	1,180	1,842,037	1,770,325
Capital assets funded internally	717,290		(717,290)	
	$1,015,091	$ 55,166	$(1,882,627)	$ (812,370)

ee accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF CASH FLOW

AS AT MARCH 31, 2002

	2002	2001
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Surplus (deficit) for the year	$ 1,770,326	$(2,857,371)
Items not involving cash		
Amortization of capital assets	2,201,729	1,027,145
Amortization of deferred contributions	(2,128,837)	(1,027,145)
Provision for computer replacement	119,000	118,236
Change in non-cash working capital	(496,049)	2,559,617
Funding allocations (Manitoba Health):		
Basic equipment	166,200	166,200
Psychiatric unit	(208,044)	208,044
Principal on approved debt	1,215,059	133,685
Net increase in deferred contributions		
Reserve for major repairs	22,894	(45,824)
Grants	109,795	169,231
Donations fund	(29,884)	138,738
Capital assets	159,883	234,346
FINANCING AND INVESTMENT ACTIVITIES		
Purchase of capital assets	(761,132)	(5,331,529)
Construction in progress expenditures	(2,270,098)	(7,544,905)
Issuance of long-term debt	1,401,987	11,326,812
Repayment of long-term debt	(1,276,823)	(351,845)
NET INCREASE (DECREASE) IN CASH	(3,994)	(1,076,565)
CASH, at beginning of year	(635,227)	441,338
CASH, AT END OF YEAR	$ (639,221)	$ (635,227)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENT

YEAR ENDED MARCH 31, 2002

1. NATURE AND PURPOSE OF THE ORGANIZATION

NOR-MAN Regional Healthy Authority Inc. (the "Authority") is a corporation without share capital continued under The Regional Health Authorities and Consequential Amendments Act, Statues of Manitoba 1996 c.53. The Authority operates health care programs and services in a geographic region that extends from Grand Rapids/Grand Rapids First Nation in the southeast corner to Flin Flon in the extreme northwest part of the Region. Pukatawagan is also part of the Region. The Authority delivers its services through hospitals and other health care facilities. Hospitals are located in Flin Flon, The Pas, and Snow Lake. The Authority is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes, provided some requirements of the Income Tax Act are met.

2. ASSUMPTION OF RESPONSIBILITY FOR FACILITIES AND OPERATING AUTHORITY

Pursuant to certain terms and conditions under various transfer agreements, the Authority took over management of facilities consisting of land and buildings together with equipment, other assets, liabilities and general operating authority as of April 1, 1997 from the following previously independently operating boards:

- The Board of Directors of the Flin Flon General Hospital, Flin Flon Personal Care Corporation and Northern Lights Manor
- The Board of Directors of The Pas Health Complex
- The Board of Directors of the Snow Lake Medical Nursing Unit
- Manitoba Health (Community Services)

3. ECONOMIC DEPENDENCE

The Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health.

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with generally accepted accounting principles.

(a) Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received, at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate of the related capital assets.

Donations are recognized as direct increases in deferred contributions.

Restricted investment income is recognized as revenue in the year in which related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(b) Contributed Services

Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(c) Inventory

Medical, drugs and other supplies are valued at the lower of average invoice cost and net realizable value.

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Improvements and betterments which extend the estimated useful life of an asset are capitalized. When a capital asset has diminished its usefulness in providing the service, its carrying amount is written down to its residual value.

The Authority has adopted the policy of amortizing its capital assets on a straight-line basis using the following annual rates:

Land improvements	2.5%
Buildings	2.5%
Building service equipment	10.0%
Major equipment	10.0%
Computer equipment and software	20.0%

No amortization is provided for construction in progress until the project is complete or until the principal retirement of related debt commences.

(e) Compensation Under Benefit Plans

Compensation is expensed for vacation and pre-retirement/severance for all employees as entitlement to these amounts is earned. Accrued compensation for sick leave is not reflected in these statements. Funding for vacation entitlement and other benefits is provided by Manitoba Health in the period in which the actual expense is paid. Accrued vacation pay and pre-retirement/severance benefits are recorded as receivable in current assets to recognize the implicit funding receivable from Manitoba Health for vacation entitlements outstanding at the year end.

5. ACCOUNTS RECEIVABLE

	2002	2001
Ministry of Health	$1,752,163	$1,549,814
Patients, residents and third parties	428,423	319,735
Other	716,404	276,733
	2,896,990	2,146,282
Less: allowance for doubtful accounts	(71,735)	(57,868)
	$2,825,255	$2,088,414

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENT

YEAR ENDED MARCH 31, 2002

6. DEFERRED CONTRIBUTIONS

(a) Expenses of Future Periods

(i) Major Repairs
Deferred contributions related to future major repairs represent unspent externally and/or internally restricted grants or allocations for major repairs and improvements to equipment, buildings and ambulance. Internal allocations are recorded as an expense of the current year.

(ii) Donations
These contributions are to be maintained primarily for the purchase of equipment and patient/resident activities. These amounts are not available for other purposes without approval of the Board of Directors.

(iii) Grants
Deferred contributions related to grants represent externally restricted unspent amounts of grants for various programs.

(b) Capital Assets
Deferred capital contributions represent the unamortized amounts of capital assets, unspent amounts of donations and grants received for purchase of capital assets. The amortization of capital contribution is recorded as revenue in the Statement of Operations.

7. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets are calculated as follows:

	2002	2001
Capital assets	$ 30,617,282	$ 29,830,063
Amounts financed by:		
Deferred contributions	(10,087,270)	(10,555,965)
Long-term debt	(19,514,921)	(18,903,405)
	$ 1,015,091	$ 370,693

8. NET ASSETS INTERNALLY RESTRICTED

This represents the following funds held in trust by the NOR-MAN Regional Healthy Authority:

(a) Sherry Grey Trust Fund
(b) St. Paul Residents Trust Fund

9. LONG-TERM DEBT

	2002	2001
Diagnostic and Personal Care Home, P - .8%, Royal Bank, payable $4,167 per month	-	653,297
Fire Safety Upgrade Flin Flon General Hospital, P - .8%, Royal Bank, no set repayment terms	-	3,757,883
Northern Lights Manor Renovations, P - .8%, Royal Bank, no set repayment terms	-	5,856,208
St. Paul's Construction Project, P - .8%, Royal Bank, no set repayment terms	-	7,609,418
Specialized Equipment, P - .8%, Royal Bank, guaranteed by Province of Manitoba, payable $1,400 per month, maturing year 2010	103,862	337,465
Canada Mortgage and Housing, 5.62%, Flin Flon Personal Care Home Mortgage, payable $5,486 per month including interest, maturing year 2016	640,118	669,792
Asbestos Abatement and Hot Water Heater, P - .8%, Royal Bank, guaranteed by Province of Manitoba, payable $1,490 per month, maturing year 2003	2,058	19,342
St. Anthony's Hospital - Fire Alarm Upgrade, Royal Bank, P - .8%, payable $34,260 per annum, maturing year 2015	327,679	-
St. Anthony's Hospital, Power Upgrade, Royal Bank, P - .8%, payable $34,260 per annum, maturing year 2006	113,882	-
Flin Flon General Hospital - Lab/HVAC, Royal Bank, P - .8%, no set repayment terms	36,697	-
Residual Borrowings, Royal Bank, P - .8%, payable $12,140 per month, maturing year 2016	1,432,293	-
Consolidated Borrowings, Department of Finance, 6.25%, payable $70,834 per month, maturing year 2018	16,858,332	-
	19,514,921	18,903,405
Less: current portion	1,150,981	414,301
	$18,363,940	$18,489,104

9. LONG-TERM DEBT CONTINUED

Portion due within each of the next five years is as follows:

2003	$1,150,981
2004	1,112,834
2005	1,115,282
2006	1,094,101
2007	1,085,090
	$5,558,288

10. STATEMENT PRESENTATION

Prior year figures have been restated for comparative purposes and to reflect prior period adjustments (see note 11).

11. PRIOR PERIOD ADJUSTMENTS

Opening balance of Deferred Contributions - Capital Assets has been restated to reflect the following:

Principal reduction of long term debt	$218,160
Reclassification of amounts from unrestricted equity	449,993
Adjustment to capital assets	(208,045)
	$460,108

Opening balance of Net Assets - Invested in Capital Assets has been restated to reflect the following:

Capital Assets purchased with internal funds	$ 11,631

Opening balance of Net Assets - Unrestricted has been restated to reflect the following:

Principal reduction on long term debt	$(218,160)
Reclassification of amounts from unrestricted equity	(449,993)
Capital assets purchased with internal funds	(11,631)
Adjust revenue receivable for Flin Flon Ambulance Service	(27,185)
	$(706,969)

The prior period adjustments are due to oversights when preparing prior year's financial statements.

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AUDITORS' REPORT

To the Directors of
North Eastman Health Association Inc.

We have audited the statement of financial position of North Eastman Health Association Inc. as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
June 5, 2002

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Financial Position
March 31, 2002

	2002	2001
ASSETS		
CURRENT ASSETS		
Cash and term deposits	$ 4,204,016	$ 2,077,649
Accounts receivable (Note 3)	770,730	2,151,181
Inventories	400,045	356,982
Prepaid expenses	31,670	15,040
	5,406,461	4,600,852
Deferred charges	2,538,316	2,293,462
Capital assets (Note 4)	34,406,166	33,242,392
	$ 42,350,943	$ 40,136,706
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 1,092,053	$ 1,088,181
Accrued liabilities	3,241,581	3,007,516
Current portion of long term debt (Note 5)	2,167,443	1,421,406
	6,501,077	5,517,103
LONG TERM DEBT (Note 5)	21,715,827	22,589,012
	28,216,904	28,106,115
DEFERRED CONTRIBUTIONS (Note 6)		
Expenses of future periods	1,113,469	669,463
Capital assets	9,242,908	8,085,773
	10,356,377	8,755,236
Commitments and contingencies (Note 8)		
NET ASSETS		
Invested in capital assets (Note 7)	1,267,887	1,176,892
Externally restricted	414,451	507,707
Unrestricted	2,095,324	1,590,756
	3,777,662	3,275,355
	$ 42,350,943	$ 40,136,706

APPROVED BY THE BOARD:

.... Director

.... Director

NORTH EASTMAN HEALTH ASSOCIATION INC.

Statement of Operations

Year Ended March 31, 2002

	2002	2001
REVENUE		
Manitoba Health income	$ 27,908,157	$ 24,205,707
Non-insured income	2,405,187	2,167,679
Offset income	991,395	896,355
Amortization of deferred contributions	1,180,837	1,020,427
Ancillary income	267,164	234,111
	32,752,740	28,524,279
EXPENSES		
Acute Care Services	6,943,792	6,680,658
Long Term Care Services	9,395,825	8,194,534
Community Based Home Care	3,547,005	4,039,410
Health Promotion/Prevention and Primary Care	3,743,558	3,217,581
Regional Health Authority	1,594,750	1,537,764
Lab and Imaging Services	1,433,283	1,191,842
Northern Patient Transportation Program	133,355	142,150
Land Ambulance Program	1,016,566	671,124
Dialysis	210,616	193,555
Medical remuneration	1,667,618	1,364,756
Interest	890,447	943,514
Depreciation	1,204,630	1,043,475
Ancillary operations operating expenses	202,626	205,879
Ancillary operating depreciation	43,170	51,264
	32,027,241	29,477,506
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE INTEREST AND OTHER	725,499	(953,227)
Retainable interest income (operating)	47,764	120,796
Non-retainable interest income (capital)	2,175	2,046
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING	775,438	(830,385)
Manitoba Health refundable surplus	(257,074)	-
Manitoba Health funding - deficits	-	784,305
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**$ 518,364**	**$ (46,080)**

NORTH EASTMAN HEALTH ASSOCIATION INC.

Statement of Changes in Net Assets

Year Ended March 31, 2002

	2002				2001
	Invested in Capital Assets	Externally Restricted	Unrestricted	**Total**	Total
Balance, beginning of year	$ 1,176,892	$ 507,707	$ 1,590,756	**$ 3,275,355**	$ 3,657,207
Transfer from (to) deferred contributions (Note 10)	18,070	(1,826)	(32,301)	**(16,057)**	(335,772)
Purchase of equipment from externally restricted funds	57,970	(57,970)	-	-	-
Purchase of building from unrestricted funds	88,000	-	(88,000)	-	-
Reclassify Stoney Plains Terrace surplus	-	(33,460)	33,460	-	-
Excess (deficiency) of revenue over expenses	(73,045)	-	591,409	**518,364**	(46,080)
BALANCE, END OF YEAR	$ 1,267,887	$ 414,451	$ 2,095,324	**$ 3,777,662**	$ 3,275,355

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Cash Flows
Year ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenses	$ 518,364	$ (46,080)
Items not affecting cash		
Amortization of deferred contributions relating to capital assets	(1,180,837)	(1,019,201)
Depreciation	1,247,800	1,094,739
	585,327	29,458
Changes in non-cash working capital items	1,307,902	(1,012,205)
Net increase in deferred contributions related to expenses of future periods	444,006	146,525
	2,337,235	(836,222)
FINANCING ACTIVITIES		
Proceeds of loans	1,227,183	10,208,157
Repayments of loans	(1,354,331)	(1,016,955)
Increase in deferred contributions related to capital assets (unspent at year end - $94,055) previous year - $80,238)	2,337,972	1,599,681
	2,210,824	10,790,883
INVESTING ACTIVITIES		
Purchase of capital assets	(2,417,656)	(11,318,803)
INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	2,130,403	(1,364,142)
CASH AND TERM DEPOSITS, BEGINNING OF YEAR	2,077,649	3,441,791
CASH AND TERM DEPOSITS, END OF YEAR	$ 4,208,052	$ 2,077,649

1. NATURE OF OPERATIONS

North Eastman Health Association Inc. ("the Association") was incorporated under the Health Authorities Act on April 1, 1997. The Association is principally involved in providing health care services to the north eastern regions of Manitoba. The Association is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements include the following sites:

Beausejour Health Centre
Stony Plains Terrace
Whitemouth District Health Centre
Lac du Bonnet PCH and Health Centre
Springfield Ambulance Service
Lac Du Bonnet Ambulance
Winnipeg River Handivan
Oakbank Handivan
East-Gate Lodge
Pine Falls Health Complex
Beausejour & District Ambulance Service
Whitemouth District Ambulance
Kin Place Health Complex
Pinawa Ambulance
Pinawa Hospital
Bissett Ambulance Service

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

a) *Revenue recognition*

The Association follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Association is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2002.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) *Revenue recognition (continued)*

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

Funding is provided by Manitoba Health on an expense recovery basis for out-of-globe expenditures including equipment depreciation, debt principal repayment, interest expense, and employee pre-retirement benefits.

Funding provided by Manitoba Health for all other eligible operations is provided in accordance with the approved in-globe budget. The Association is responsible for any in-globe deficits but may retain in-globe surpluses to a maximum of 2% of current year baseline operating funds. Additional funding may be provided for in-globe expenses not initially included in the budget. During the course of the operating period, the Association may be requested to undertake additional programs or provide additional services. Funding for such undertakings is recorded as revenue in the period in which the amount of funding has been confirmed.

b) *Contributed services*

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

c) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Facility's ability to provide services, its carrying amount is written down to its residual value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Capital assets (continued)

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	5-10%
Buildings	2-5%
Leasehold Improvements	5%
Building service equipment	4-10%
Equipment (including non-shareable)	5-20%
Vehicles	8-15%
Software and licenses	20%

Construction in progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to capital assets.

d) Compensated absences

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Association's benefit plans for vacation, statutory holiday and retirement allowances.

e) Deferred charges

Funding for vacation entitlements and retirement entitlement obligations is provided by Manitoba Health as part of its regular budget in the period in which expenditures are made. Accordingly, the cost of the estimated accrued vacation pay and retirement entitlement obligations at year-end is deferred to enable an appropriate matching of expenses with income secured in subsequent years.

f) Financial instruments

Credit Risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Association's accounts receivable are comprised mostly of amounts due from Manitoba Health and other government organizations.

Interest Rate Risk
The carrying amount of short-term financial assets and liabilities are a reasonable estimate of the fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash and accounts receivable. Short-term financial liabilities are comprised of accounts payable and accrued liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Retirement entitlement obligations

Commencing April 1, 2000, the Association prospectively applied the new accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

The Association has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

i) have ten years service and have reached the age 55 or

ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

iii) retire at or after age 65

iv) terminate employment at any time due to permanent disability

For the year ended March 31, 2001, the Association recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the retirement entitlement is recoverable from Manitoba Health on an out-of globe basis in the year of payment. The cumulative effect of adopting the new recommendations was to increase deferred charges and accrued retirement entitlements by $1,105,276 as at March 31, 2001.

3. ACCOUNTS RECEIVABLE

	2002	2001
Lac Du Bonnet District Health Care Foundation, Inc.	$ 15,821	$ 9,520
Manitoba Health	422,592	1,660,264
Canadian Customs and Revenue Agency – GST Rebate	103,433	251,041
Ambulance	64,763	69,825
Residents	43,748	36,932
Other	120,373	123,599
	$ 770,730	$ 2,151,181

4. CAPITAL ASSETS

	2002		2001	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	$ 333,035	$ -	$ 333,035	$ -
Land improvements	369,815	274,949	369,815	265,281
Buildings	40,429,399	8,431,715	22,109,663	7,676,841
Leasehold improvements	14,399	4,091	14,399	3,371
Building service equipment	66,279	53,835	66,279	50,907
Equipment	8,085,277	6,454,052	7,501,144	6,086,577
Non-shareable equipment	722,543	646,162	722,542	624,932
Vehicles	778,539	539,108	778,539	455,859
Software and licenses	51,394	43,233	51,394	32,954
Construction in Progress	2,631	-	16,492,304	-
	50,853,311	16,447,145	48,439,114	15,196,722
Cost less accumulated depreciation	$ 34,406,166		$ 33,242,392	

5. LONG-TERM DEBT

	2002	2001
Bank demand loan, interest at prime rate less 5/8%, maturing October of 2015 and requiring monthly principal payments of $5,200.	$ 623,353	$20,642,492
Manitoba Health term loan payable, at an interest rate of 6.375%, maturing March of 2016, and requiring monthly principal payments of $119,048	20,000,000	-
Debentures payable, at interest rates of 13 3/8% Matured in 2001 and requiring annual principal payments of $15,000	-	15,000
CMHC Mortgages payable, at interest rates from 6.87% to 9.2% maturing at various dates to 2024 and requiring monthly principal and interest payments of $27,203	3,259,917	3,352,926
	23,883,270	24,010,418
Less current portion:		
Bank demand loans	623,353	1,317,489
Manitoba Health term loan	1,428,576	-
Debenture	-	15,000
Mortgages	115,514	88,917
	2,167,443	1,421,406
	$21,715,827	$22,589,012

5. LONG-TERM DEBT (continued)

Principal repayments on the long-term debt are estimated as follows:

2003	$ 1,602,490
2004	1,629,042
2005	1,651,639
2006	1,674,286
2007	1,696,984
Thereafter	15,628,829

6. DEFERRED CONTRIBUTIONS

a) *Expenses of future periods*

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for research and other purposes.

	2002	2001
Balance, beginning of year	**$ 669,463**	$ 522,938
Add amount received related to future periods	**563,293**	321,390
Add amount transferred from restricted net assets	**4,036**	-
Less amounts amortized to revenue	**(123,323)**	(49,307)
Less amounts transferred to deferred capital	**-**	(125,558)
	$ 1,113,469	$ 669,463

b) *Capital assets*

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2002	2001
Balance, beginning of year	**$ 8,085,773**	$ 7,169,521
Additional contributions received/receivable	**2,325,367**	1,599,681
Less amounts amortized to revenue	**(1,180,837)**	(1,019,201)
Transfer from net assets	**12,605**	335,772
	$ 9,242,908	$ 8,085,773

6. DEFERRED CONTRIBUTIONS (continued)

b) *Capital assets (continued)*

The balance of unamortized capital contributions related to capital assets consists of the following:

	2002	2001
Unamortized capital contributions used to purchase assets	$ 9,148,853	$ 8,005,535
Unspent contributions	94,055	80,238
	$ 9,242,908	$ 8,085,773

7. INVESTMENT IN CAPITAL ASSETS

a) *Investment in capital assets is calculated as follows*

	2002	2001
Capital assets	$ 34,406,166	$33,242,392
Amounts financed by:		
Deferred contributions	(9,148,853)	(8,005,535)
Long term debt	(23,883,270)	(24,010,418)
Due to operating account	(106,156)	(49,547)
	$ 1,267,887	$ 1,176,892

b) *Change in net assets invested in capital assets is calculated as follows:*

	2002	2001
Excess of revenue over expenses:		
Amortization of deferred contributions related to capital assets	$ 1,180,837	$ 1,019,201
Depreciation of capital assets	(1,253,882)	(1,094,739)
	(73,045)	(75,538)
Net change in investment in capital assets:		
Purchase of capital assets	$ 2,417,656	$11,318,803
Amounts funded by:		
Deferred contributions	(987,894)	(1,017,203)
Long-term debt	(1,227,183)	(10,208,157)
Transfers from (to) deferred contributions and unrestricted net assets	18,070	(808,306)
Due to operating	(56,609)	(49,547)
	164,040	(764,410)
Total changes in net assets invested in capital assets	$ 90,995	$ (839,948)

8. COMMITMENTS AND CONTINGENCIES

a) The Association has entered into various operating lease commitments. The amounts payable over the next five years are as follows:

2003	$ 65,880
2004	65,880
2005	65,880
2006	64,380
2007	53,880
Thereafter	107,760

b) The nature of the Association's activities is such that there is usually litigation pending or in progress at any time. With respect to claims at March 31, 2002, management believes the Association has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Association's financial position.

c) The Association participates in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2002

9. EMPLOYEE FUTURE BENEFITS

a) *Accrued retirement entitlement*

The Association undertook an actuarial valuation of the accrued retirement entitlements in accordance with the change in accounting (Note 2(g)). The significant actuarial assumptions adopted in measuring the Association's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with nil for disability.

b) *Pension Plan*

Many of the employees of the Association are members of the Health Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

9. EMPLOYEE FUTURE BENEFITS (continued)

b) Pension Plan (continued)

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling plus 6.6% of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2000, indicates the plan is fully funded. Actual contributions to the plan made during the year by the Association on behalf of its employees amounted to $645,395 (2001 - $596,583) and are included in the statement of operations.

10. TRANSFER FROM (TO) DEFERRED CONTRIBUTIONS

During the current year the amount transferred to Deferred Contributions relates to the loan repayments made during the year for self-funded assets. Other transfers from net assets were minor reclassifications to conform to current year presentation.

During the prior year, certain capital costs for construction projects in progress were recorded as investments in capital assets prior to funding being received. The transfer to deferred contributions reflects the receipt of contributions to fund those assets.

11. RECLASSIFICATION OF PRIOR YEAR'S FIGURES

Certain of the prior year's figures have been reclassified to conform with current year's presentation.

Auditors' Report

To the Board of Directors of Parkland Regional Health Authority Inc.

We have audited the consolidated statement of financial position of the Parkland Regional Health Authority Inc. as at March 31, 2002 and the consolidated statements of net assets, operations, cash flows and supporting schedule for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Parkland Regional Health Authority Inc. as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures were reported upon by other auditors.

Meyers Norris Penny LLP
Chartered Accountants

Dauphin, Manitoba
June 7, 2002

Parkland Regional Health Authority Inc.
Consolidated Statement of Financial Position
As at March 31, 2002

	2002	*2001*
Assets		
Current		
Cash	5,738,556	5,784,758
Temporary investments	13,695,177	12,058,652
Deferred benefits entitlement *(Note 3)*	5,835,843	3,570,164
Accounts receivable	1,718,999	1,437,485
Due from Manitoba Health *(Note 4)*	3,533,408	3,809,051
Inventory	1,323,925	1,211,381
Prepaid expenses	627,496	660,762
	32,473,404	28,532,253
Long-term investments	7,157	180,152
Capital assets *(Note 5)*	58,449,778	58,140,829
Trust assets	110,435	37,483
Deferred benefits entitlement *(Note 3)*	2,587,323	3,891,955
	93,628,097	90,782,672
Liabilities		
Current		
Lines of credit	1,833,371	6,710,140
Accounts payable and accruals	4,895,688	4,588,583
Deferred benefits entitlement *(Note 3)*	5,835,843	3,570,164
Current portion of long-term debt *(Note 6)*	1,067,529	522,238
	13,632,431	15,391,125
Long-term debt *(Note 6)*	32,357,366	27,008,933
Deferred benefits entitlement *(Note 3)*	2,587,323	3,891,955
Deferred contributions *(Note 7)*	37,472,512	36,133,968
Trust liabilities	110,435	37,483
	86,160,067	82,463,464
Net Assets		
Invested in capital assets	2,641,128	2,357,642
Internally restricted net assets	585,762	674,659
Unrestricted net assets	4,241,140	5,286,907
	7,468,030	8,319,208
	93,628,097	90,782,672

Approved on behalf of the Board

_______________ **Director** _______________ **Director**

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2002

	Invested in capital assets	*Internally Restricted*	*Unrestricted*	*2002 Total*	*2001 Total*
Balance, beginning of year	2,357,642	674,659	5,286,907	**8,319,208**	9,019,159
Excess (deficiency) of revenues over expenses	(84,521)	2,683	(346,913)	**(428,751)**	(258,922)
Investment in capital assets	368,007	(91,580)	(276,427)	-	-
Net transfers to deferred contributions	-	-	(422,427)	**(422,427)**	
Net transfers from (to) foundations	-	-	-	-	(441,029)
Balance, end of year	2,641,128	585,762	4,241,140	**7,468,030**	8,319,208

he accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.
Consolidated Statement of Operations
For the year ended March 31, 2002

	2002	*2001*
Revenues		
Manitoba Health operating income	71,330,043	68,718,061
Patient income	6,243,406	6,047,385
Other income	3,209,205	2,734,257
Amortization of deferred contributions	3,007,771	2,932,632
	83,790,425	80,432,335
Expenses		
Acute care	32,200,059	30,127,996
Long-term care	23,824,018	22,866,231
Homecare	8,422,695	8,307,554
Community and mental health	7,703,141	7,067,831
Interest on long-term debt	2,839,815	2,967,533
Medical remuneration	2,714,236	2,538,537
Regional health costs *(Note 10)*	1,066,716	1,375,569
Amortization of capital assets	3,062,148	3,164,420
Pre-retirement	338,643	251,525
Emergency response and transport	1,297,836	847,805
Parkland Regional Hospital Laundry Ltd.	749,869	741,604
Loss on demolition of building and service equipment	-	434,652
	84,219,176	80,691,257
Excess (deficiency) of revenues over expenses	(428,751)	(258,922)

accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2002

	2002	*2001*
Cash provided by (used in)		
Operations		
Excess (deficiency) of revenues over expenses	(428,751)	(258,922)
Items not involving cash		
Amortization of capital assets	3,062,148	3,164,420
Amortization of deferred contributions	(3,007,771)	(2,932,632)
	(374,374)	(27,134)
Changes in non-cash operating working capital		
Trust assets	(72,952)	(11,264)
Temporary investments	(1,636,525)	(1,318,415)
Lines of credit	(4,876,769)	1,796,538
Trust liabilities	72,952	11,264
Accounts receivable	(281,514)	1,910,307
Due from Manitoba Health	275,643	(4,353,165)
Inventory	(112,544)	(21,373)
Prepaid expenses	33,266	(385,293)
Accounts payable	307,105	636,032
	(6,665,712)	(1,762,503)
Financing and Investing		
Decrease (increase) in capital assets	(3,371,097)	1,459,449
Decrease (increase) in long-term investments	172,995	(172,992)
Decrease in net assets	(422,427)	(441,029)
Increase (decrease) in deferred contributions	4,346,315	(1,701,673)
Increase in long-term debt	5,893,724	1,085,762
	6,619,510	229,517
Increase (decrease) in cash and cash equivalents during the year	(46,202)	(1,532,986)
Cash and equivalents, beginning of year	5,784,758	7,317,744
Cash and equivalents, end of year	5,738,556	5,784,758

The accompanying notes are an integral part of these financial statements.

1. Organization

The Parkland Regional Health Authority Inc. is a non-profit organization incorporated without share capital under the laws of Manitoba. The Parkland Regional Health Authority Inc. is involved in the provision of health care services to persons resident in the Parkland Region.

The Parkland Regional Health Authority Inc. is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

2. Significant accounting policies

Basis of accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue recognition

The Parkland Regional Health Authority Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as an increase in deferred contributions when earned. Unrestricted investment income is recognized as revenue when earned.

Basis of reporting

These financial statements include the accounts of all controlled not-for-profit organizations of the Parkland Regional Health Authority Inc. All significant inter-departmental transactions have been eliminated.

The assets, liabilities, and operations of the following controlled not-for-profit operations have been included in these financial statements:

Devolved facilities:

Dauphin Regional Health Centre
Roblin District Heath Centre
Gilbert Plains Health Centre
Grandview Hospital District No. 3B
Dauphin & District Ambulance Service
Roblin & District Ambulance Service
Grandview Personal Care Home
Parkland Regional Hospital Laundry Ltd.

Non-devolved facilities:

McCreary/Alonsa Health Centre
Hôpital Général – Ste. Rose – General Hospital
Swan Valley Lodge (1991) Inc.
Swan River Valley Hospital

Swan River Valley Personal Care Home Inc.
Benito Health Centre
Winnipegosis – Mossey River Personal Care Home Inc.
Winnipegosis General Hospital
St. Paul's Home (Inc.)
Dr. Gendreau Personal Care Home Inc.
Swan River Hospital District No. 1

The Parkland Regional Health Authority Inc. also receives funding from independent organizations which organize fundraising drives in various geographical areas exclusively for the use of the Parkland Regional Health Authority Inc. or its related entities. The extent of any funding provided by these independent entities is solely at the discretion of the board of directors of the independent entities.

Financial instruments

The Parkland Regional Health Authority Inc.'s financial instruments consist of cash, accounts receivable, temporary investments, accounts payable, amounts due to (from) Manitoba Health and long term debt. Unless otherwise noted, it is management's opinion that the Parkland Regional Health Authority Inc. is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Temporary investments

Temporary investments are stated at the lower of cost and market value.

Inventory

Inventory is stated at the lower of cost and replacement cost. Cost is generally determined on the first-in, first-out basis.

Capital assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Buildings	20 to 40 years straight-line basis
Major equipment	4 to 20 years straight-line basis

Pension plans

The Parkland Regional Health Authority Inc. records liabilities for accrued employee benefits in the year in which they become known.

Employee benefits

The Parkland Regional Health Authority Inc. records liabilities for accrued employee benefits in the year in which they become known.

Employees are entitled to compensation for unused vacation credit, unused statutory holiday time, unpaid overtime and pre-retirement leave when they leave the Parkland Regional Health Authority Inc.'s employ.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenues and expenses during the year. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. Deferred benefits entitlement

Certain accrued employee benefit costs, including vacation pay, unused statutory holiday pay, unpaid overtime and pre-retirement leave are recorded in accordance with the policy determined by Manitoba Health. This policy is to record the change in the amount of both the accrued liability for these costs and the related amounts receivable from Manitoba Health.

The pre-retirement benefits are determined by actuarial valuation. The latest actuarial valuation of the pre-retirement leave as of March 31, 2002 reports an obligation of $4,226,288. The plan is unfunded; however, the obligation is covered by Manitoba Health resulting in a nil surplus or deficit at March 31, 2002. $338,643 of benefits were paid from the plan in the current year. The assumptions in the valuation report are as follows:

Discount rate of 2%
Expected long-term rate of return on plan assets of 6.5%
Rate of compensation increase of 4%

4. Due from Manitoba Health (Out-of-Globe)

Any operating surplus related to Out-of-Globe funding arrangements or operating surpluses greater than 2% of budget related to In-Globe funding arrangements for the year is carried on the balance sheet as a payable due to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Parkland Regional Health Authority Inc. or repaid to Manitoba Health.

Conversely, any operating deficit related to Out-of-Globe funding arrangements is carried on the balance sheet as a receivable from Manitoba Health until Manitoba Health reviews the financial statements. At that time Manitoba Health submits their final funding approvals, which indicate the portion of the deficit that will be paid to the Parkland Regional Health Authority Inc. Effective in 1992, the Province of Manitoba implemented a no-deficit recovery policy which, subject to and appeal by the Regional Health Authority, stipulates that Manitoba Health will not fund deficits related to In-Globe funding arrangements. Any unapproved costs not paid by Manitoba Health are absorbed by the Regional Health Authority.

5. Capital assets

	Cost	*Accumulated Amortization*	***2002 Net Book Value***	*2001 Net Book Value*
Land	586,685	-	**586,685**	586,685
Buildings	72,353,399	24,281,609	**48,071,790**	45,238,365
Equipment	23,220,986	16,984,157	**6,236,829**	5,918,475
Construction in progress	3,554,474	-	**3,554,474**	6,397,304
	99,715,544	41,265,766	**58,449,778**	58,140,829

6. Long-term debt

	2002	*2001*
Mortgage Payable Held by the Canada Mortgage & Housing Corporation bearing interest at a rate of 9.625% and payments of $8,605 per month including interest and principal.	975,127	982,691
Debenture Payable	-	23,000
Demand Loan Held on behalf of the Dauphin Regional Health Centre by Manitoba Health, bearing interest at a rate of 3.75% and repayable on demand.	24,316	-
Debenture Payable Held on behalf of Dauphin Regional Health Centre by Manitoba Health at 10.125% due 02/08/08, repayable $216,204 principal and interest monthly. The principal portion of the payments are held in a sinking fund which is also held on behalf of Dauphin Regional Health Centre by Manitoba Health. The balance of the sinking fund as at the year end was $11,637,696 which is reflected on the statement of financial position under temporary investments.	20,550,000	20,550,000
Mortgage Payable Held by Canada Mortgage & Housing Corporation at 8.00%. Security consists of a first mortgage on buildings, a letter of comfort from Manitoba Health, a promissory note signed by the facility and a borrowing resolution signed by the facility. Repayments of $2,679 principal and interest monthly.	352,163	356,417
Bank Loan Payable Held by Dauphin CIBC on behalf of the Parkland Regional Authority – CIBC prime less .50%. Repayable $6,155 per month plus interest	6,155	601,505
Debenture Payable Held on behalf of Gilbert Plains Health Centre Inc. by Manitoba Health at 11.13%, repayable $80,450 principal and interest annually.	563,150	634,600
Mortgage Payable Held by Canada Mortgage & Housing Corporation at 8.00%. Security consists of a first mortgage on buildings, a letter of comfort from Manitoba Health, a promissory note signed by the facility and a borrowing resolution signed by the facility. Repayable $2,245 principal and interest monthly.	287,022	291,191

	2002	*2001*
Bank Loan Payable Held by Government of Manitoba on behalf of Parkland Regional Health Authority bearing interest at a rate of 6.375%, due March 31, 2005, repayable $44,872 principal and interest monthly.	7,000,000	-
Bank Loan Payable	-	59,086
Mortgage Payable Held by Canada Mortgage & Housing Corporation – 9.625%. Security consists of a first mortgage on buildings, a letter of comfort from Manitoba Health, a promissory note signed by the facility and a borrowing resolution signed by the facility. Repayable $2,336 principal and interest monthly.	324,281	326,770
Loan Payable Held by the Royal Bank of Canada. Interest charged at the lower of Royal Bank's flex financing rate and Royal Bank prime. Repayable $3,455 principal monthly plus interest.	64,560	109,000
Debenture Payable Held on behalf of Hôpital Général – Ste. Rose – General Hospital by Manitoba Health at 13.63%, due 15/11/03, repayable $24,000 principal annually plus interest.	42,000	66,000
Mortgage Payable Held by Bank of Nova Scotia at 4.97%, due 01/01/02, repayable $3,769 principal and interest monthly.	475,409	494,872
Mortgage Payable Held by Canada Mortgage & Housing Corporation at 6.375%. Security consists of a first mortgage on buildings, a letter of comfort from Manitoba Health, a promissory note signed by the facility and a borrowing resolution signed by the facility. Repayable $3,688 principal and interest monthly.	471,186	485,306
Loan Payable Held by TD Canada Trust, interest at prime less .50%, repayable at $1,530 per month plus interest retroactive to September 1997.	91,618	109,978
Loan Payable	-	37,974
Loan Payable Held by Dauphin CIBC on behalf of Parkland Regional Health Authority. CIBC prime less .50%, repayable $18,845 per month plus interest.	18,845	-

Loan Payable	-	8,528
Loan Payable Held by the Canada Mortgage and Housing Corporation, repayable $3,124 per month including interest at 7.25%, maturing 01/12/22.	407,547	415,827
Loan Payable Held by TD Canada Trust, interest at prime less .50%. No fixed repayment terms.	120,725	142,746
Mortgage Payable Held by the Dauphin Plains Credit Union, repayable $14,105 per month plus interest at 6.25%.	1,367,983	1,533,628
Mortgage Payable Held by Canada Mortgage and Housing Corporation, repayable $2,235 per month including interest at 8.00%.	282,808	292,782
	33,424,895	27,531,171
Amount due within one year included in current liabilities	1,067,529	522,238
	32,357,366	27,008,933

Principal repayments required in each of the next five years are estimated as follows:

2003	1,067,529
2004	997,955
2005	961,242
2006	965,935
2007	934,938

Deferred contributions

Deferred contributions represent capital funding received from Manitoba Health or donations received from other sources restricted for the purchase of depreciable capital assets.

Economic dependence

The Parkland Regional Health Authority Inc. received 85% of its total revenue for the year ended March 31, 2002 from Manitoba Health.

Comparative amounts

Certain of the prior year's figures have been restated in order to conform with the presentation adopted for the current year.

Regional health costs

	2002	*2001*
Corporate office salaries	577,203	653,212
Corporate office benefits	71,065	92,861
Expenses paid on behalf of facilities	65,920	82,884
Board expenses	80,221	75,285
Medical recruitment	-	12,270
Nursing formal education	-	120,488
Other	272,307	338,569
	1,066,716	1,375,569

MNP
MEYERS NORRIS PENNY LLP

AUDITORS' REPORT

To the Board of Directors of
Regional Health Authority – Central Manitoba Inc.

We have audited the consolidated statement of financial position of Regional Health Authority – Central Manitoba Inc. as at March 31, 2002 and the consolidated statements of operations, consolidated changes in net assets and consolidated cash flows for the year then ended. These consolidated financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Chartered Accountants

Portage la Prairie, Manitoba
June 12, 2002

BAKER TILLY
INTERNATIONAL

CHARTERED ACCOUNTANTS & BUSINESS ADVISORS
14 TUPPER ST. S., PORTAGE LA PRAIRIE, MB R1N 1Z6
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REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Financial Position

March 31, 2002

	2002	2001
ASSETS		
CURRENT		
Cash and short term investments	$ 9,520,053	$ 10,147,448
Accounts receivable, net	999,256	1,717,095
Accounts receivable - Manitoba Health (Note 3)	554,318	5,915,732
Inventories	1,148,993	1,168,459
Prepaid expenses	118,089	66,706
Deferred benefit entitlements (Note 4)	5,876,700	5,556,000
	18,217,409	24,571,440
NON-CURRENT		
Investments	2,000,000	-
Deferred benefit entitlements (Note 4)	7,262,000	6,729,000
Capital assets (Note 5)	89,062,087	88,171,478
Other assets	129,658	116,707
	$ 116,671,154	$ 119,588,625
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	$ 7,963,614	$ 10,489,412
Accrued benefit entitlements (Note 4)	5,876,700	5,556,000
Current portion of long term debt (Note 6)	2,916,000	2,847,000
	16,756,314	18,892,412
NON-CURRENT		
Accrued benefit entitlements (Note 4)	7,262,000	6,729,000
Long term debt (Note 6)	46,856,319	41,750,774
	54,118,319	48,479,774
DEFERRED CONTRIBUTIONS (Note 7)		
Expenses of future periods	3,266,638	3,663,246
Capital assets	38,624,341	42,937,452
	41,890,979	46,600,698
NET ASSETS		
Invested in capital assets (Note 8)	792,445	370,284
Contract facilities (Note 9)	1,696,395	1,650,631
Internally restricted	714,041	754,892
Unrestricted	702,661	2,839,934
	3,905,542	5,615,741
COMMITMENTS AND CONTINGENCIES (Note 10)		
	$ 116,671,154	$ 119,588,625

APPROVED BY THE BOARD OF DIRECTORS

Director

Director

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Operations

Year Ended March 31, 2002

	2002	2001
REVENUE		
Manitoba Health (Note 11)	$ 103,772,766	$ 99,537,289
Other government departments	641,605	523,500
Non-global patient and resident income	10,293,642	10,006,056
Other income	3,605,781	3,247,318
Amortization of deferred contributions - operating	81,990	58,721
Amortization of deferred contributions - capital and foundations	5,297,837	5,134,470
Interest and donations	372,715	447,841
Ancillary operations (Schedule 1)	1,895,447	1,807,005
	125,961,783	120,762,200
EXPENSES		
Acute care services	42,317,780	39,979,701
Long term care services	34,565,138	33,044,841
Medical remuneration	8,379,987	7,385,944
Community based therapy services	1,288,430	1,236,491
Community based mental health services	5,965,352	5,614,545
Community based home care services	12,397,449	11,895,573
Community based health services	4,345,169	3,975,443
Land ambulance	2,963,757	2,132,972
Regional health authority undistributed	5,170,872	5,603,825
Commissioning costs	433,759	12,698
Interest on long term debt	2,479,405	1,783,126
Pre-retirement leave	581,838	542,366
Amortization of capital assets	4,722,773	4,017,267
Major repairs	475,371	1,074,733
Donations to foundations	13,214	13,166
Ancillary operations (Schedule 1)	1,606,967	1,587,531
	127,707,261	119,900,222
OPERATING EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(1,745,478)	861,978
OTHER INCOME (EXPENSE)		
Amortization of deferred contributions - sale or transfer of capital assets	2,338,493	550,184
Sale or transfer of capital assets	(2,303,214)	(554,184)
	35,279	(4,000)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (1,710,199)	$ 857,978
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES		
Capital and donations to foundations	$ 121,758	$ 25,304
Interest and donations	372,715	447,841
Ancillary operations	288,480	216,474
Prior years' funding adjustments	-	145,306
Health care operations	(2,493,152)	23,053
TOTAL	$ (1,710,199)	$ 857,978

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2002

	Invested in Capital Assets	Contract Facilities (Note 9)	Internally Restricted	Unrestricted	2002 Total	2001 Total
Balance, beginning of year	$ 370,284	$ 1,650,631	$ 754,892	$ 2,839,934	$ 5,615,741	$ 4,757,763
Excess (deficiency) of revenue over expenses	(2,567)	204,078	-	(1,911,710)	(1,710,199)	857,978
Repayment of non-Manitoba Health funded long term debt	128,743	-	-	(128,743)	-	-
Investment in capital assets	295,985	(158,314)	(40,851)	(96,820)	-	-
Balance, end of year	$ 792,445	$ 1,696,395	$ 714,041	$ 702,661	$ 3,905,542	$ 5,615,741

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.
Consolidated Statement of Cash Flows
Year Ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Excess (Deficiency) of revenue over expenses	$ (1,710,199)	$ 857,978
Items not affecting cash		
Amortization of capital assets	4,853,353	4,147,847
Sale or transfer of capital assets	2,303,214	554,184
Amortization of deferred contributions related to expenses of future periods	(622,630)	(1,182,118)
Amortization of deferred contributions related to capital assets	(7,195,702)	(4,672,841)
Changes in non-cash operating working capital items	3,521,538	2,064,513
	1,149,574	1,769,563
FINANCING ACTIVITIES		
Increase in deferred contributions related to expenses of future periods	1,137,273	1,922,742
Increase in deferred contributions related to capital assets	1,971,340	5,557,033
Advances on long term debt	28,313,425	39,422,979
Principal payments on long term debt	(23,138,880)	(20,803,838)
	8,283,158	26,098,916
INVESTING ACTIVITIES		
Purchase of capital assets	(8,088,878)	(27,383,305)
Proceeds on sale of capital assets	41,702	-
Increase in long term investments	(2,000,000)	-
Change in other assets	(12,951)	25,213
	(10,060,127)	(27,358,092)
INCREASE (DECREASE) IN CASH AND SHORT TERM INVESTMENTS	(627,395)	510,387
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR	10,147,448	9,637,061
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$ 9,520,053	$ 10,147,448
Supplementary information		
Interest paid during the year	$ 2,479,405	$ 1,783,126

1. NATURE OF BUSINESS

Regional Health Authority - Central Manitoba Inc.(the Authority) was incorporated under the laws of Manitoba on January 2, 1996. The Authority commenced activity on April 1, 1997. The Authority is principally involved in providing health care services to the central region of Manitoba. The Authority is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies for the Authority.

a) Basis of reporting

The Authority provides health care services through devolved and contract facilities. The contract facilities include Salem Home Inc., Tabor Senior Citizens Homes, Inc., Eden Mental Health Centre, Rock Lake Health District and Prairie View Lodge, Inc..

The health care services provided by the contract facilities are delivered under the control of the Authority as the majority funder. Accordingly, the financial position and results of operations of these related organizations are consolidated in the financial statements of the Authority. A financial summary of these contract facilities is provided in Schedules 2 and 3.

All significant inter-company and inter-divisional transactions have been eliminated. Transactions with non-controlled contract entities and certain non-devolved ambulance services have not been consolidated and the transactions are recorded as a purchased service.

b) Revenue recognition

The Authority follows the deferral method of accounting for contributions which include government grants and donations.

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2002.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

c) Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments

Investments, both short term and long term, are carried at the lower of cost and market value. At March 31, 2002, cost approximates market value for these investments.

e) Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

f) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying value is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2%
Major equipment	10% - 20%

g) Vacation, overtime and statutory holiday pay

The Authority records the accrued vacation, overtime and statutory holiday pay entitlement liability. Funding for the entitlement is recoverable as a component of salary cost funding for the subsequent year.

h) Retirement entitlement obligation

The Authority has a contractual commitment to pay out to employees' four days salary per year of service upon retirement if they comply with the following conditions:

a) have ten years service and have reached the age of 55, or
b) qualify for the "eighty" rule which is calculated by adding the number of years' service to the age of the employee

The Authority has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above. Funding for the retirement entitlement is recoverable from Manitoba Health on an out of globe basis in the year of payment. The effect of adopting the new recommendations was to increase the deferred retirement benefit charge and the accrued retirement obligation.

Each year the Authority undertakes an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit / promotion scale with nil for disability.

i) Deferred charges

Funding for vacation entitlements and retirement entitlement obligations is provided by the Authority in the period in which the expenditures are made. Accordingly, the cost of the estimated accrued vacation pay and retirement entitlement obligations at year-end is deferred to enable an appropriate matching of expenses with revenue secured in subsequent years.

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Notes to the Consolidated Financial Statements

March 31, 2002

3. ACCOUNTS RECEIVABLE - MANITOBA HEALTH

Accounts Receivable - Manitoba Health includes the following:

	2002	2001
In globe deficit - 2000/2001	$ 752,307	$ 3,593,390
Out of globe amounts - 2001/2002	(220,376)	-
Out of globe amounts - 2000/2001	(440,559)	(440,559)
Current year's operating funding	64,767	51,955
Approved capital projects	398,179	2,710,946
	$ 554,318	$ 5,915,732

4. DEFERRED BENEFIT ENTITLEMENTS AND ACCRUED BENEFIT ENTITLEMENTS

The deferred benefit entitlements represent future funding receivable for accrued vacation and retirement benefits.

	2002	2001
CURRENT		
Vacation pay	$ 5,627,500	$ 5,280,000
Statutory holidays and overtime	249,200	276,000
	$ 5,876,700	$ 5,556,000
OTHER		
Retirement benefits	$ 7,262,000	$ 6,729,000

5. CAPITAL ASSETS

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,536,041	$ -	$ 1,536,041	$ 1,353,516
Buildings	93,335,021	22,076,813	71,258,208	40,717,096
Major equipment	41,673,841	25,724,934	15,948,907	10,202,831
Construction in progress	318,931	-	318,931	35,898,035
	$ 136,863,834	$ 47,801,747	$ 89,062,087	$ 88,171,478

6. LONG TERM DEBT

	2002	2001
Debentures	$ 408,200	$ 781,600
Canada Mortgage and Housing Corporation mortgages	9,135,931	9,401,856
Province of Manitoba promissory notes	37,715,686	19,000,000
Bank loans	2,512,502	15,414,318
	49,772,319	44,597,774
Less: current portion	2,916,000	2,847,000
	$ 46,856,319	$ 41,750,774

6. LONG TERM DEBT (continued)

Debentures bear interest at 13.375% or 13.625% and mature at various dates on or before November 15, 2004. The indenture documentation for the debentures outstanding assigns the subsidies provided by Manitoba Health for payment of the debenture.

Canada Mortgage and Housing Corporation mortgages bear interest between 5.125% and 10% and mature at various dates on or before July 1, 2028. The mortgages are secured by land and buildings.

Province of Manitoba promissory notes bear interest at 6.125% or 6.25% and mature March 31, 2018 or January 31, 2022. The notes are secured by letters of comfort from Manitoba Health.

Bank loans bear interest at floating rates based on the bank prime lending rates. The amounts are generally due on demand but have repayment terms as negotiated by the Authority. These amounts are secured by letters of comfort from Manitoba Health.

Estimated principal repayment requirements for the next five years are as follows:

2003	$ 2,916,000
2004	2,781,000
2005	2,745,000
2006	2,719,000
2007	2,740,000

7. DEFERRED CONTRIBUTIONS

a) *Expenses of future periods*

Deferred contributions related to expenses of future periods represent unspent externally restricted donations and grants received for future expenditures including capital assets. Amortization is recorded as revenue in the statement of operations and matched with expenditures incurred with these funds.

	2002	2001
Balance, beginning of year	$ 3,663,246	$ 5,686,714
Additional contributions received	1,137,273	1,922,742
Amount transferred to capital assets	(911,251)	(2,764,092)
Less amounts amortized to revenue	(622,630)	(1,182,118)
	$ 3,266,638	$ 3,663,246

b) *Capital assets*

Deferred capital contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2002	2001
Balance, beginning of year	$ 42,937,452	$ 39,289,168
Additional contributions received	1,971,340	5,557,033
Amount transferred from expenses of future periods	911,251	2,764,092
Less amounts amortized to revenue	(7,195,702)	(4,672,841)
	$ 38,624,341	$ 42,937,452

8. INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2002	2001
Capital assets	$ 89,062,087	$ 88,171,478
Amounts financed by:		
Deferred contributions	(38,624,341)	(42,937,452)
Long term debt	(49,772,319)	(44,597,774)
Working capital	127,018	(265,968)
	$ 792,445	$ 370,284

b) Change in net assets invested in capital assets is calculated as follows:

	2002	2001
Excess (deficiency) of revenues over expenses		
Amortization of deferred contributions related to capital assets	$ 7,195,702	$ 4,672,841
Amortization of capital assets	(4,853,353)	(4,147,847)
Sale or transfer of capital assets	(2,303,214)	(554,184)
Proceeds on sale of capital assets	(41,702)	-
	(2,567)	(29,190)
Repayment of non-Manitoba Health funded long term debt	128,743	126,650
Investment in capital assets		
Purchase of capital assets	8,088,878	27,383,305
Principal payments on Manitoba Health funded long term debt	23,010,137	20,677,188
Amounts funded by deferred contributions	(2,882,591)	(8,321,125)
Advances on long term debt	(28,313,425)	(39,422,979)
Amounts funded with working capital	392,986	(300,328)
	295,985	16,061
	$ 422,161	$ 113,521

9. CONTRACT FACILITIES - NET ASSETS

Contract facilities - net assets represent the net assets, other than invested in capital assets, of the contract facilities that have been consolidated in the financial statements of the Authority.

The amounts are as follows:

	2002	2001
Internally restricted	$ 811,278	$ 728,529
Externally restricted	11,669	11,387
Unrestricted	873,448	910,715
	$ 1,696,395	$ 1,650,631

10. COMMITMENTS AND CONTINGENCIES

a) The Authority is subject to individual legal actions arising in the normal course of business. The effect of any contingent claims relating to these legal actions is not determinable at the date of the audit report.

b) The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. Although the Authority is no longer a member, it may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No reassessments have been made to March 31, 2002.

11. MANITOBA HEALTH REVENUE

Manitoba Health revenue includes the following:

	2002	2001
Revenue as per final approved budget	$ 106,563,900	$ 97,940,119
Amounts recorded as deferred contributions	(3,424,077)	(2,295,432)
	103,139,823	95,644,687
Current year's estimated out of globe amounts	(276,727)	(464,089)
In globe deficit	-	3,593,390
One time funding - fee for service physician billings	81,390	-
One time funding - midwifery	161,507	39,955
One time funding - contract settlements	644,397	-
One time funding - employee assistance program	22,376	-
One time funding - other	-	578,040
Prior years' funding adjustments	-	145,306
	$ 103,772,766	$ 99,537,289

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of short-term financial assets and liabilities are reasonable estimates of their fair values because of the short maturity of those instruments. Short term financial assets are comprised of cash, short term investments and accounts receivable. Short term financial liabilities are comprised of accounts payable and accrued liabilities.

13. ECONOMIC DEPENDENCE

The Authority receives in excess of 80% of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for its continued operations.

14. PENSION PLAN

Substantially all of the employees of the Authority are members of the Health Employees Pension Plan (HEPP) or the Civil Service Superannuation Plan (CSSP). HEPP is a multi-employer defined benefit pension plan, which is accounted for as a defined contribution plan. The plan is available to all eligible employees of the participating members of the Authority. Former civil servants transferred to the Authority could elect to remain members of the Civil Service Superannuation Plan which is a government based defined benefit plan which is accounted for as a defined contribution plan. All new Authority employees are eligible to join HEPP and not the CSSP.

The most recent actuarial valuation of the HEPP at December 31, 2001 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $2,998,000 and are included in the Statement of Operations. The Civil Service Superannuation Plan is unfunded and requires no contributions by the Authority.

15. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been restated to conform to the current year's presentation. The comparative figures were reported on by another public accounting firm.

Schedule 1

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Statement of Operations - Ancillary Operations

Year Ended March 31, 2002

	Elderly Person's Housing	Handivan	Retail Pharmacy	Contract Facilities	**2002**	2001
REVENUE						
Outside sources	$ 914,478	$ 40,088	$ 710,398	$ 130,471	**$ 1,795,435**	$ 1,695,421
Amortization of deferred contributions	73,972	26,040	-	-	**100,012**	111,584
	988,450	66,128	710,398	130,471	**1,895,447**	1,807,005
EXPENSES						
Operating	451,348	34,280	503,702	102,247	**1,091,577**	1,101,354
Amortization of capital assets	104,540	26,040	-	-	**130,580**	130,580
Interest on long term debt	261,241	-	-	-	**261,241**	277,577
Major repairs	123,569	-	-	-	**123,569**	78,020
	940,698	60,320	503,702	102,247	**1,606,967**	1,587,531
EXCESS OF REVENUE OVER EXPENSES	$ 47,752	$ 5,808	$ 206,696	$ 28,224	**$ 288,480**	$ 219,474

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 2

Statement of Financial Position - Segmented

March 31, 2002

	Devolved	Contract	2002	2001
ASSETS				
CURRENT				
Cash and short term investments	$ 7,130,325	$ 2,389,728	**$ 9,520,053**	$ 10,147,448
Accounts receivable, net	651,904	347,352	**999,256**	1,717,095
Accounts receivable - Manitoba Health	378,865	175,453	**554,318**	5,915,732
Inventories	1,033,665	115,328	**1,148,993**	1,168,459
Prepaid expenses	91,336	26,753	**118,089**	66,706
Deferred benefit entitlements	5,030,300	846,400	**5,876,700**	5,556,000
	14,316,395	3,901,014	**18,217,409**	24,571,440
NON-CURRENT				
Investments	2,000,000	-	**2,000,000**	-
Deferred benefit entitlements	6,201,000	1,061,000	**7,262,000**	6,729,000
Capital assets	78,259,362	10,802,725	**89,062,087**	88,171,478
Other assets	-	129,658	**129,658**	116,707
	$ 100,776,757	$ 15,894,397	**$ 116,671,154**	$ 119,588,625
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	$ 6,844,557	$ 1,119,057	**$ 7,963,614**	$ 10,489,412
Accrued benefit entitlements	5,030,300	846,400	**5,876,700**	5,556,000
Current portion of long term debt	2,832,000	84,000	**2,916,000**	2,847,000
	14,706,857	2,049,457	**16,756,314**	18,892,412
NON-CURRENT				
Accrued benefit entitlements	6,201,000	1,061,000	**7,262,000**	6,729,000
Long term debt	45,542,921	1,313,398	**46,856,319**	41,750,774
	51,743,921	2,374,398	**54,118,319**	48,479,774
DEFERRED CONTRIBUTIONS				
Expenses of future periods	2,944,023	322,615	**3,266,638**	3,663,246
Capital assets	29,434,586	9,189,755	**38,624,341**	42,937,452
	32,378,609	9,512,370	**41,890,979**	46,600,698
NET ASSETS				
Invested in capital assets	530,668	261,777	**792,445**	370,284
Contract facilities	-	1,696,395	**1,696,395**	1,650,631
Internally restricted	714,041	-	**714,041**	754,892
Unrestricted	702,661	-	**702,661**	2,839,934
	1,947,370	1,958,172	**3,905,542**	5,615,741
	$ 100,776,757	$ 15,894,397	**$ 116,671,154**	$ 119,588,625

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 3

Statement of Operations - Segmented
Year Ended March 31, 2002

	Devolved	Contract	**2002**	2001
REVENUE				
Manitoba Health	$ 89,783,257	$ 13,989,509	**$ 103,772,766**	$ 99,537,289
Other government departments	641,605	-	**641,605**	523,500
Non-global patient and resident income	7,300,523	2,993,119	**10,293,642**	10,006,056
Other income	2,864,566	741,215	**3,605,781**	3,247,318
Amortization of deferred contributions - operating	45,261	36,729	**81,990**	58,721
Amortization of deferred contributions - capital and foundations	4,487,372	810,465	**5,297,837**	5,134,470
Interest and donations	294,785	77,930	**372,715**	447,841
Ancillary operations	1,764,976	130,471	**1,895,447**	1,807,005
	107,182,345	18,779,438	**125,961,783**	120,762,200
EXPENSES				
Acute care services	41,261,059	1,056,721	**42,317,780**	39,979,701
Long term care services	23,610,536	10,954,602	**34,565,138**	33,044,841
Medical remuneration	6,882,920	1,497,067	**8,379,987**	7,385,944
Community based therapy services	1,288,430	-	**1,288,430**	1,236,491
Community based mental health services	2,248,614	3,716,738	**5,965,352**	5,614,545
Community based home care services	12,397,449	-	**12,397,449**	11,895,573
Community based health services	4,171,636	173,533	**4,345,169**	3,975,443
Land ambulance	2,963,757	-	**2,963,757**	2,132,972
Regional health authority undistributed	5,170,872	-	**5,170,872**	5,603,825
Commissioning costs	433,759	-	**433,759**	12,698
Interest on long term debt	2,367,752	111,653	**2,479,405**	1,783,126
Pre-retirement leave	442,716	139,122	**581,838**	542,366
Amortization of capital assets	4,192,286	530,487	**4,722,773**	4,017,267
Major repairs	187,998	287,373	**475,371**	1,074,733
Donations to foundations	-	13,214	**13,214**	13,166
Ancillary operations	1,504,720	102,247	**1,606,967**	1,587,531
	109,124,504	18,582,757	**127,707,261**	119,900,222
OPERATING EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	(1,942,159)	196,681	**(1,745,478)**	861,978
OTHER INCOME (EXPENSE)				
Amortization of deferred contributions - sale or transfer of capital asset	2,338,493	-	**2,338,493**	550,184
Sale or transfer of capital assets	(2,303,214)	-	**(2,303,214)**	(554,184)
	35,279	-	**35,279**	(4,000)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ (1,906,880)	$ 196,681	**$ (1,710,199)**	$ 857,978
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES				
Capital and donations to foundations	$ 142,367	$ (20,609)	**$ 121,758**	$ 25,304
Interest and donations	294,785	77,930	**372,715**	447,841
Ancillary operations	260,256	28,224	**288,480**	219,474
Prior years' funding adjustments	-	-	**-**	145,306
Health care operations	(2,604,288)	111,136	**(2,493,152)**	20,053
TOTAL	$ (1,906,880)	$ 196,681	**$ (1,710,199)**	$ 857,978

BDO

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Auditors' Report

To the Board of Directors of
SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.:

We have audited the consolidated statement of financial position of **SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.** as at March 31, 2002 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 7, 2002

BDO Dunwoody LLP *is a Limited Liability Partnership registered in Ontario*

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31	2002	2001
Assets		
Current Assets		
Cash and term deposits	$ 873,944	$ -
Accounts receivable	1,465,676	3,556,345
Inventories	628,248	590,479
Prepaid expense	69,431	48,986
Deferred vacation and retirement entitlement costs	3,771,455	3,640,394
	6,808,754	7,836,204
Restricted (Note 1)	480,425	574,668
Capital assets (Notes 2 and 10)	45,127,309	33,277,413
	$ 52,416,488	$ 41,688,285

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31	2002	2001
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 3)	$ -	$ 760,691
Accounts payable and accrued liabilities	3,320,993	2,451,518
Accrued vacation and retirement pay	3,771,455	3,640,394
Current portion of long-term debt (Note 4)	3,278,014	1,737,489
Unearned revenue	372,720	503,646
	10,743,182	9,093,738
Long-term debt (Note 4)	23,463,660	13,264,121
Deferred Contributions (Note 5)		
Expenses of future periods	677,040	500,192
Capital assets	17,737,474	17,766,565
	18,414,514	18,266,757
Commitments and contingencies (Notes 2 and 7)		
Net Assets		
Investment in capital assets (Notes 6 and 10)	648,161	509,238
Externally restricted - Contract Facilities	37,814	141,944
Externally restricted	480,425	574,668
Unrestricted	(1,371,268)	(162,181)
	(204,868)	1,063,669
	$ 52,416,488	$ 41,688,285

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Operations

For the year ended March 31	2002	2001
Revenue		
Manitoba Health	$ 38,639,488	$ 34,402,689
Non-insured income	3,381,954	3,239,815
Other income and recovered services	857,644	749,729
Ambulance income	691,044	585,134
Amortization of deferred contributions	1,571,483	1,343,485
	45,141,613	40,320,852
Expenditures		
Acute care services	13,807,699	12,722,713
Amortization of capital assets	1,571,483	1,343,485
Community based health services	3,566,917	3,423,555
Community based home care services	7,466,904	7,051,012
Community based mental health services	1,072,434	937,946
Community therapy services	403,686	396,699
Interest on long-term debt	700,090	828,330
Laboratory and X-ray	603,492	471,036
Land ambulance	916,601	783,532
Long-term care services	12,042,565	11,410,998
Medical remuneration	2,820,060	2,359,667
Personal care home drugs	578,021	505,057
Regional Health Authority costs	772,960	762,353
	46,322,912	42,996,383
Deficiency of revenue over expenditures before other items	(1,181,299)	(2,675,531)
Other Items		
Manitoba Health		
Anticipated settlements - 2000/01	(23,505)	(24,396)
Net operating deficit - 2000/01	-	2,699,927
	(23,505)	2,675,531
Excess (deficiency) of revenue over expenditures for the year	$ (1,204,804)	-

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Changes in Net Assets

For the year ended March 31

			2002			2001
	Investment in Capital Assets (Note 6)	Contract Facilities	Externally Restricted (Note 1)	Unrestricted	Total	Total
Balance, beginning of year						
- as previously stated	$ 615,207 $	141,944 $	567,472 $	104,928 $	1,429,551 $	1,538,394
Adjustment to deferred contributions (Note 10)	(105,969)	-	7,196	(267,109)	(365,882)	(365,882)
- as restated	509,238	141,944	574,668	(162,181)	1,063,669	1,172,512
Transfers to deferred contributions	-	(750)	(57,104)	31,260	(26,594)	(17,449)
Expenditures during year	-	-	(37,139)	-	(37,139)	(91,394)
Excess (deficiency) of revenue over expenditures for the year	-	(204,506)	-	(1,000,298)	(1,204,804)	-
Net changes in investment in capital assets (Note 6)	138,923	101,126	-	(240,049)	-	-
Balance, end of year	$ 648,161 $	37,814 $	480,425 $	(1,371,268)$	(204,868)$	1,063,669

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.

Consolidated Statement of Cash Flows

For the year ended March 31	2002	2001
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ (1,204,804)	$ -
Adjustments for		
Amortization of capital assets	1,571,483	1,343,485
Amortization of deferred contributions related to capital assets	(1,571,483)	(1,343,485)
	(1,204,804)	-
Changes in non-cash working capital		
Accounts receivable	2,090,669	(2,527,841)
Inventories	(37,769)	(40,473)
Prepaid expense	(20,445)	1,967
Deferred vacation and retirement entitlement costs	(131,061)	(2,155,612)
Accounts payable and accrued liabilities	869,475	842,919
Accrued vacation and retirement pay	131,061	2,155,612
Unearned revenue	(130,926)	503,646
	2,771,004	(1,219,782)
	1,566,200	(1,219,782)
Cash Flows from Investing Activities		
Decrease in restricted assets	94,243	155,753
Purchase of capital assets (net)	(13,421,379)	(5,653,070)
Restricted assets expenditures	(37,139)	(91,394)
	(13,364,275)	(5,588,711)
Cash Flows from Financing Activities		
Advances of long-term debt	13,553,655	3,654,257
Repayment of long-term debt	(1,813,591)	(802,228)
Increase (decrease) in deferred contributions related to expenses of future periods (net)	176,848	11,525
Receipt of deferred contributions related to capital assets	1,542,392	2,588,322
Net transfers	(26,594)	(17,449)
	13,432,710	5,434,427
Net increase (decrease) in cash and cash equivalents	1,634,635	(1,374,066)
Cash and cash equivalents, beginning of year	(760,691)	613,375
Cash and cash equivalents, end of year	$ 873,944	(760,691)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Summary of Significant Accounting Policies

March 31, 2002

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies.

Entity Definition

South Eastman Health/Santé Sud-Est Inc. was incorporated under the laws of the Province of Manitoba on January 2, 1996. The Authority commenced providing health care services on April 1, 1997 in the southeastern region of Manitoba. The Authority is a registered charity under The Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

Under the Regional Health Authorities and Consequential Amendments Act, the Authority entered into negotiations with all health care facilities in the region to either transfer those facilities' operations, property, liabilities and obligations to the Authority or to operate as a contract facility funded by the Authority. These negotiations have been completed. Obligations under these agreements are detailed further in Note 1.

Three facilities within the region operate under contract arrangements for funding with the Authority. They are Rest Haven Nursing Home, Menno Home for the Aged and Villa Youville Inc. - Nursing. The operations of these facilities have been consolidated in these financial statements as the Authority exercises significant influence over them by virtue of acting as funding agent. Any non-Manitoba Health funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2002.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Summary of Significant Accounting Policies

March 31, 2002

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by the first-in, first-out method.

Deferred Vacation Entitlements

Accrued vacation pay is deferred and charged to expense as the employees take the corresponding vacation time.

Retirement Leave Entitlements

The Authority pays accumulated benefits to eligible employees upon retirement. Actuarial estimates of the present value of projected benefits to be paid under the plan have been recorded as a liability of the Authority, with a corresponding deferred expense.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Facility's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2% to 2.5%
Major equipment	10% to 20%

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Notes to Consolidated Financial Statements

March 31, 2002

1. Restricted Assets

The Authority entered and completed negotiations with the health facilities in the region to have their obligations, property, and liabilities transferred to it. The Authority agreed to use prior operating surpluses to promote health within the specific districts. These operating surpluses were as follows:

	De Salaberry District Health Centre	Vita and District Health Centre	Ste. Anne Hospital	Total
Balance, beginning of year	$ 221,914	$ 328,919	$ 23,835	$ 574,668
2001/2002 expenditures	(34,562)	(7,285)	4,708	(37,139)
Transfers to deferred contributions	-	(52,180)	(4,924)	(57,104)
Balance, end of year	$ 187,352	$ 269,454	$ 23,619	$ 480,425

The Authority also agreed to use current ambulance surpluses and assets for improving emergency medical services in accordance with the terms of the agreements.

2. Capital Assets

	2002		2001	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 646,689	$ -	$ 646,689	$ -
Buildings	32,310,252	9,893,862	31,223,791	9,214,507
Major equipment	14,324,590	7,650,427	12,345,512	6,760,209
Construction in progress	15,390,067	-	5,036,137	-
	$ 62,671,598	$ 17,544,289	$ 49,252,129	$ 15,974,716
Cost less accumulated amortization		$ 45,127,309		33,277,413

The Authority has substantially completed construction of a 60 bed personal care home attached to the Bethesda Hospital for a total approved contract of $7,106,000. Also nearing completion of construction is a 66 bed addition at Villa Youville for a total approved contract of $7,465,000.

3. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $1,500,000. The line of credit bears interest at Royal Bank prime less .80% and is secured by an authorization letter from Manitoba Health and assignment of fire insurance covering property of every description.

In addition, the Authority has approved lease financing available through Royal Bank Leasing Inc. to a maximum of $500,000. This credit facility was unutilized at March 31, 2002.

4. Long-term Debt

	2002	2001
Debenture payable	**$ 110,000**	$ 219,000
Mortgages payable	**10,058,772**	10,731,866
Demand loans payable	**16,572,902**	4,050,744
	26,741,674	15,001,610
Current portion of long-term debt	**3,278,014**	1,737,489
	$ 23,463,660	$ 13,264,121

The debenture bears interest at 13.375%, matures on October 31, 2002 and requires annual payments of principal of $109,000.

The mortgages bear interest between 5.52% and 7.875%, mature on various dates on or before January, 2027 and require annual payments of principal and interest of $822,371.

The demand loans payable bear interest between prime less .80% and prime less .50%. The loans require monthly interest-only payments until the completion of the related construction project, at which point the repayment terms will be finalized.

The debenture and mortgages payable are secured by Letters of Comfort from Manitoba Health. The demand loan payable and mortgages are also secured by land and buildings.

Principal payments due in the next five years are as follows:

2003	$ 3,278,014
2004	756,061
2005	808,490
2006	864,579
2007	924,583

5. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and construction projects.

		2002	2001
Balance, beginning of year	$	**500,192**	488,667
Add amount received during year		**24,155**	24,155
Less 2001/2002 expenditures		**(80,954)**	(12,630)
Transfers from deferred contributions - capital assets		**233,647**	-
Balance, end of year	$	**677,040**	500,192

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowing.

		2002	2001
Balance, beginning of year	$	**17,766,565**	16,521,728
Additional contributions received		**1,542,392**	2,588,322
Less amounts amortized to revenue		**(1,571,483)**	(1,343,485)
Balance, end of year	$	**17,737,474**	17,766,565

6. Investment in Capital Assets

A) Investment in capital assets is calculated as follows:

	2002	2001
Capital assets	$ 45,127,309	33,277,413
Amounts financed by		
Deferred contributions	17,737,474	17,766,565
Loan and mortgage payable	26,741,674	15,001,610
	$ 648,161	$ 509,238

B) Change in net assets invested in capital assets is calculated as follows:

	2002	2001
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 1,571,483	$ 1,343,485
Amortization of capital assets	(1,571,483)	(1,343,485)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets (net)	$ 13,421,379	$ 5,653,070
Amounts funded by		
Manitoba Health funding	(710,970)	(1,278,574)
Advances on long-term debt	(13,553,655)	(3,654,257)
Donations	(159,283)	(733,106)
Transfers		
Restricted assets	(57,104)	(64,359)
Unrestricted equity	31,260	62,691
Contract facilities	(750)	(15,781)
Deferred contributions - expenses of future periods(net)	128,817	-
Repayment of debentures, loans and mortgages	1,813,591	802,228
Manitoba Health debt service funding	(774,362)	(559,193)
	$ 138,923	$ 212,719

7. Commitments and Contingencies

A) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2002, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

B) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2002.

The Authority's coverage also includes contract facilities as named insured parties.

8. Pension Plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor of the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5.0% of salary and 6.6% of salary over $39,100 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at January 1, 2001 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $1,249,531 (2001 - $903,426) and are included in the statement of operations.

The remainder of employees are members of the Province of Manitoba's defined benefit Superannuation Pension Fund. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

9. Financial Instruments

Credit risk
The Authority is exposed to credit risk in the event of non-performance by counter parties, but management does not anticipate significant non-performance by any of the counter parties. The Authority's accounts receivable are comprised mostly of amounts due from Manitoba Health.

10. Comparative Figures

Certain of the comparative figures for the year ended March 31, 2002 have been reclassified to provide better comparison with the current year's presentation. Opening Net Assets has been restated by $365,882 with corresponding increases to Deferred Contributions (Expenses of future periods - $259,914 and Capital assets - $105,968) to properly reflect various reserve accounts previously included in Unrestricted Net Assets as Deferred Contributions. Excess of revenue over expenditures remains as previously reported.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.

Consolidated Schedule of Financial Position

March 31			2002	2001
	Regional Health Authority	Contract Facilities	Consolidated Total	Consolidated Total
Current				
Cash and term deposits	$ 265,189	608,755	873,944	
Accounts receivable	1,058,500	407,176	1,465,676	3,556,345
Inventories	568,849	59,399	628,248	590,479
Prepaid expense	66,743	2,688	69,431	48,986
Deferred vacation and retirement entitlement costs	2,987,579	783,876	3,771,455	3,640,394
	4,946,860	1,861,894	6,808,754	7,836,204
Restricted	480,425		480,425	574,668
Capital assets	33,988,157	11,139,152	45,127,309	33,277,413
	$ 39,415,442	13,001,046	52,416,488	41,688,285
Current				
Bank indebtedness	$			760,691
Accounts payable and accrued liabilities	2,418,959	902,034	3,320,993	2,451,518
Accrued vacation and retirement pay	2,987,579	783,876	3,771,455	3,640,394
Deferred revenue	372,720		372,720	503,646
Current portion of long-term debt	2,459,075	818,939	3,278,014	1,737,489
	8,238,333	2,504,849	10,743,182	9,093,738
Long-term debt	14,299,303	9,164,357	23,463,660	13,264,121
Deferred Contributions				
Expenses of future period	538,871	138,169	677,040	500,192
Capital assets	16,742,479	994,995	17,737,474	17,766,565
	17,281,350	1,133,164	18,414,514	18,266,757
Net Assets				
Investment in capital assets	487,299	160,862	648,161	509,238
Externally restricted - Contract Facilities		37,814	37,814	141,944
Externally restricted	480,425		480,425	574,668
Unrestricted	(1,371,268)		(1,371,268)	(162,181)
	(403,544)	198,676	(204,868)	1,063,669
	$ 39,415,442	13,001,046	52,416,488	41,688,285

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Schedule of Operations

For the year ended March 31

	Acute Care	Long-term Care	Community Health & Other Programs	Corporate Office	RHA Total	Contract Facilities	2002 Consolidated Total	2001 Consolidated Total
Revenue								
Manitoba Health	$ 12,094,155	3,336,477	16,968,879	1,228,208	33,627,719	5,011,769	38,639,488	34,402,689
Non-insured income	282,996	1,352,443			1,635,439	1,746,515	3,381,954	3,239,815
Other income and recovered services	242,711		220,338	295,765	758,814	98,830	857,644	749,729
Ambulance income			691,044		691,044		691,044	585,134
Amortization of deferred revenue contributions related to capital assets	866,128	236,383		283,851	1,386,362	185,121	1,571,483	1,343,485
	13,485,990	4,925,303	17,880,261	1,807,824	38,099,378	7,042,235	45,141,613	40,320,852
Expenditures								
Acute care services	13,783,563				13,783,563		13,783,563	12,722,713
Amortization of capital assets	866,128	236,383		283,851	1,386,362	185,121	1,571,483	1,343,485
Community based health services			3,566,917		3,566,917		3,566,917	3,423,555
Community based home care services			7,466,904		7,466,904		7,466,904	7,051,012
Community based mental health services			1,072,434		1,072,434		1,072,434	937,946
Community therapy services			403,686		403,686		403,686	396,699
Interest on long-term debt	237,168	462,922			700,090		700,090	828,330
Lab and X-ray			603,492		603,492		603,492	471,036
Land ambulance			916,601		916,601		916,601	783,532
Long-term care services		4,980,945			4,980,945	7,061,620	12,042,565	11,410,998
Medical remuneration			2,820,060		2,820,060		2,820,060	2,359,667
PCH drug expense			578,021		578,021		578,021	505,057
Regional Health Authority costs				797,096	797,096		797,096	762,353
	14,886,859	5,680,250	17,428,115	1,080,947	39,076,171	7,246,741	46,322,912	42,996,383
Excess (deficiency) of revenue over expenditures before other items	(1,400,869)	(754,947)	452,146	726,877	(976,793)	(204,506)	(1,181,299)	(2,675,531)
Other Items								
Manitoba Health								
Anticipated settelements - 2000/01				(23,505)	(23,505)		(23,505)	(24,396)
Net operating deficit - 2000/01					-		-	2,699,927
	-	-	-	(23,505)	(23,505)	-	(23,505)	2,675,531
Excess (deficiency) of revenue over expenditures for the year	$ (1,400,869)	(754,947)	452,146	703,372	(1,000,298)	(204,506)	(1,204,804)	-

BDO

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Auditors' Report

To the Board of Directors of
SOUTH WESTMAN REGIONAL HEALTH AUTHORITY INC.

We have audited the balance sheet of **SOUTH WESTMAN REGIONAL HEALTH AUTHORITY INC.** as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the South Westman Regional Health Authority Inc's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the South Westman Regional Health Authority Inc as at March 31, 2002 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 14, 2002

SOUTH WESTMAN REGIONAL HEALTH AUTHORITY INC.
Balance Sheet

March 31	2002	2001
Assets		
Current Assets		
Cash	$ 2,905,728	$ 270,831
Temporary investments	2,918,524	2,767,836
Accounts receivable	493,028	401,106
Due from Manitoba Health (Note 1)	(735,251)	1,136,185
Deferred benefit entitlements - Vacation (Note 2)	2,512,535	2,401,693
Inventories	455,250	420,005
Prepaid expenses	89,156	107,609
	8,638,970	7,505,265
Deferred benefit entitlements- Pre Retirement (Note 2)	3,259,884	2,933,656
Capital assets (Note 3)	41,498,198	42,497,831
Trust assets	43,865	37,692
	$ 53,440,917	$ 52,974,444
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,995,183	$ 2,593,210
Current portion of long-term debt (Note 4)	1,763,187	2,004,105
Deferred benefit entitlements (Note 2)	2,512,535	2,401,693
	7,271,905	6,999,008
Long-term debt (Note 4)	16,875,286	17,251,036
Capital lease obligations	44,902	-
Deferred benefit entitlements (Note 2)	3,259,884	2,933,656
Deferred contributions and income (Note 5)	23,840,425	23,945,373
Trust liabilities	43,865	37,692
Total liabilities	51,336,267	51,166,765
Net Assets		
Net assets invested in capital assets	2,744,363	2,749,633
Net assets internally restricted (Note 6)	88,926	33,711
Unrestricted net assets	(728,639)	(975,665)
	2,104,650	1,807,679
	$ 53,440,917	$ 52,974,444

On behalf of the Board:

Director

BA Christie Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH WESTMAN REGIONAL HEALTH AUTHORITY INC.
Statement of Changes in Net Assets

For the year ended March 31	Invested in Capital Assets	Internally Restricted	Unrestricted	2002	2001
Balance, beginning of year	$ 2,749,633	$ 33,711	$ (975,665)	$ 1,807,679	$ 1,670,920
Interfund transfers	258,024	-	(258,024)	-	-
Transfers to town of Souris	(2,320)	(2,307)	(11,979)	(16,606)	-
Excess of revenues (expenses) for the year	(260,974)	57,522	461,816	258,364	136,759
Reclassification from prior year	-	-	55,213	55,213	-
Balance, end of year	$ 2,744,363	$ 88,926	$ (728,639)	$ 2,104,650	$ 1,807,679

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH WESTMAN REGIONAL HEALTH AUTHORITY INC.

Statement of Operations

For the year ended March 31	2002	2001
Revenues		
Manitoba Health operating income (Note 7)	$ 44,310,226	$ 42,700,733
Authorized/ Residential charges	5,960,015	5,685,767
Other income	2,268,253	2,169,480
Amortization of deferred contributions	1,834,513	1,871,065
Ancillary revenue	319,939	299,136
Province of Manitoba	300,407	229,346
In-patient/out-patient	98,466	55,776
	55,091,819	53,011,303
Expenses		
Acute care expenses	18,174,671	17,726,985
Long-term care	17,800,401	16,941,695
Community-based home care services	4,224,801	4,031,985
Medical remuneration	4,286,425	4,023,146
Community-based health services	1,610,283	1,353,974
Land ambulance	1,521,140	1,289,572
Community-based mental health services	564,616	570,117
Community-based therapy services	331,927	286,994
Community-based services administration	206,671	197,125
	48,720,935	46,421,593
Other Undistributed Costs		
Regional health authority costs	2,533,444	2,679,561
Amortization of capital assets	2,095,487	2,124,079
Interest on long-term debt	1,151,301	1,139,197
Pre-retirement expenses	200,038	283,675
Ancillary expenses	167,535	173,900
Year 2000, flood disaster and construction officer costs	15,614	52,539
	6,163,419	6,452,951
Total expenses and other undistributed costs	54,884,354	52,874,544
Excess of revenues before other item	207,465	136,759
Other Item		
Net gain on sale of asset	50,899	-
Excess of revenues for the year	$ 258,364	$ 136,759

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH WESTMAN REGIONAL HEALTH AUTHORITY INC.

Statement of Cash Flows

For the year ended March 31	2002	2001
Cash Flows from Operating Activities		
Excess of revenues for the year	$ 207,465	$ 136,759
Adjustments for		
Gain on disposal of assets	(50,899)	-
Prior period adjustment	-	-
Amortization of deferred contributions	(1,834,513)	(1,871,065)
Amortization of capital assets	2,095,487	2,124,079
	417,540	389,773
Changes in non-cash working capital balances		
Accounts receivable	(91,922)	626,875
Inventories	(35,245)	4,282
Prepaid expenses	18,453	(42,080)
Short-term investments	(150,688)	(161,595)
Due from Manitoba Health	1,871,436	16,257
Accounts payable and accrued liabilities	402,973	(588,124)
	2,432,547	245,388
Cash Flows from Investing and Financing Activities		
Change in capital assets	(375,692)	(3,892,234)
Increase in deferred contributions	1,130,569	2,305,334
Increase (decrease) in long-term debt	(616,668)	1,513,138
Increase (decrease) in deferred income	64,141	(23,809)
	202,350	(97,571)
Increase in cash during the year	2,634,897	147,817
Cash and cash equivalents, beginning of year	270,831	123,014
Cash and cash equivalents, end of year	$ 2,905,728	$ 270,831

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH WESTMAN REGIONAL HEALTH AUTHORITY INC.

Summary of Significant Accounting Policies

March 31, 2002

Nature and Purpose of Organization

South Westman Regional Health Authority Inc. is a non-profit organization incorporated without share capital under the laws of Manitoba. The South Westman Regional Health Authority Inc's mission is to promote and enhance the physical, mental and spiritual well-being for the South Westman region through the provision of high quality health services and programs which are responsive, accessible, coordinated and sustainable.

The South Westman Regional Health Authority Inc is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue Recognition

The South Westman Regional Health Authority Inc follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted investment income is recognized as revenue in the year the related expenses are incurred. Unrestricted investment income is recognized as revenue when earned.

Contributed Materials and Services

Contributed materials and services which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

SOUTH WESTMAN REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2002

Basis of Reporting

These financial statements include the accounts of all controlled not-for-profit organizations of South Westman Regional Health Authority Inc. All significant inter divisional transactions have been eliminated.

The assets, liabilities, and operations of the following controlled not-for-profit organizations have been included in these financial statements:

Baldur Handi-Van Service (Note 8)
Baldur Health District
Baldur Health District Ambulance Service
Boissevain Ambulance Service
Boissevain Health Centre
Cartwright and District Hospital
Cartwright Ambulance Service
Deloraine and District Elderly and Infirm Persons Housing Inc.
Deloraine Health Centre
Deloraine Health Centre Ambulance Service
Glenboro Handi-Van Service (Note 8)
Glenboro Health District
Glenboro Health District Ambulance Service
Hartney Handi-Transit (Note 8)
Hartney Medical Nursing Unit
Health District No. 10 - Elkwood Manor
Health District No. 10 - Reston District Health Centre
Health District No. 10 - Virden District Hospital
Killarney and District Ambulance Service
Melita Health Centre
Souris Ambulance Service
Souris Handi-Transit (Note 8)
Souris Health District
South Westman Regional Health Authority Inc.
Tiger Hills Handi-Van Service (Note 8)
Tiger Hills Health District
Tiger Hills Health District Ambulance Service
Tiger Hills Villa Inc. (Note 9)
Tri-Lake Health Centre
Victoria Park Lodge
Virden District Ambulance Service
Virden and District Elderly Persons Housing Corporation
Wawanesa and District Ambulance Service
Wawanesa and District Memorial Health Centre
West-Man Nursing Home Inc.
Westview Lodge

SOUTH WESTMAN REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2002

Financial Instruments

South Westman Regional Health Authority Inc.'s financial instruments consist of cash, accounts receivable, temporary investments, accounts payable, amounts due from (to) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the South Westman Regional Health Authority Inc is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Temporary Investments

Temporary investments are stated at the lower of cost and market value.

Inventories

Inventories are stated at the lower of cost and replacement cost. Cost is generally determined on the first-in, first-out basis.

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Ambulance garages	20 years straight-line basis
Ambulance radios	5 years straight-line basis
Automotive equipment	5 years straight-line basis
Building	40 years straight-line basis
Computers	5 years straight-line basis
Equipment	10 years straight-line basis
Land improvements	15 years straight-line basis
Leaseholds	3 years straight-line basis

1. Due From Manitoba Health

	2002	2001
Due from Manitoba Health - In Globe	$ -	$ 1,559,283
Due from Manitoba Health - Out of Globe	(83,538)	333,379
Due from Manitoba Health - Past Commitments	(651,713)	(756,477)
	$ (735,251)	$ 1,136,185

Any operating surplus related to Out of Globe funding arrangements or operating surpluses greater than 2% of budget related to In Globe funding arrangements for the year is carried on the balance sheet as a payable due to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by South Westman Regional Health Authority Inc. and what must be repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is carried on the balance sheet as a receivable from Manitoba Health until Manitoba Health reviews the financial statements. At that time Manitoba Health submits their final cost approvals which indicate the portion of the deficit that will be paid to South Westman Regional Health Authority Inc. Effective in 1992 the Province of Manitoba implemented a no deficit recovery policy which, subject to an appeal by the Regional Health Authority, stipulates that Manitoba Health will not fund deficits related to In Globe funding arrangements. Any unapproved costs not paid by Manitoba Health are absorbed by the Regional Health Authority.

Differences that may occur on final settlement of approved costs are charged directly to current years operations.

2. Deferred Benefit Entitlements

Certain accrued employee benefit costs, including vacation pay and pre-retirement leave are recorded in accordance with the policy determined by Manitoba Health. This policy is to disclose the amount of both the accrued liability for these costs and the related amount receivable from Manitoba Health separately in the statement of financial position. Neither the change of the accrued liability or the related receivable is recorded in the statement of operations.

The pre-retirement benefits are determined by actuarial valuation. The latest actuarial valuation of the pre-retirement value as of December 31, 2000 reports an obligation of $3,259,884. The plan is unfunded; however the obligation is covered by Manitoba Health resulting in a nil surplus or deficit at March 31, 2002. $200,038 of benefits were paid from the plan in the current year. No contributions by the employees or employer were made during the year. The assumptions in the valuation report are as follows:

- discount rate of 2%
- expected long-term rate of return on plan assets of 6.5%
- rate of compensation increase of 4%

3. Capital Assets

	2002			2001		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Land	$ 237,833	$ -	$ 237,833	$ 246,002	$ -	$ 246,002
Buildings	38,942,661	15,177,304	23,765,357	38,865,813	14,446,914	24,418,899
Equipment, ambulance garages, ambulance radios, vehicles and computers	20,854,930	16,738,090	4,116,840	20,364,848	16,129,659	4,235,189
Construction in progress	13,106,213	-	13,106,213	13,338,220	-	13,338,220
Land improvements	1,095,917	823,962	271,955	1,046,979	787,458	259,521
	$ 74,237,554	$ 32,739,356	$ 41,498,198	$ 73,861,862	$ 31,364,031	$ 42,497,831

4. Long-term Debt

	2002	2001
Mortgage payable to Canada Mortgage and Housing Corporation at 5.77%, due December 1, 2015, monthly payments of $4,013 principal and interest, secured by a mortgage on buildings.	$ 458,187	$ 480,049
Mortgage payable to Canada Mortgage and Housing Corporation at 10.00%, due October 1, 2027, monthly payments of $1,508 principal and interest, secured by a mortgage on buildings.	208,501	210,242
Mortgage payable to Canada Mortgage and Housing Corporation at 4.97%, due January 1, 2009, monthly payments of $6,750 principal and interest, secured by a mortgage on buildings.	409,900	467,070
Mortgage payable to Canada Mortgage and Housing Corporation at 8.00%, due June 1, 2026, monthly payments of $2,336 principal and interest, secured by a mortgage on buildings.	303,125	307,137
Mortgage payable to Canada Mortgage and Housing Corporation at 10.50%, due March 1, 2028, monthly payments of $3,202 principal and interest, secured by a mortgage on buildings.	447,824	451,098
Mortgage payable to Canada Mortgage and Housing Corporation at 8.00%, due July 1, 2026, monthly payments of $1,778 principal and interest, secured by a mortgage on buildings.	230,867	233,900
Mortgage payable to Canada Mortgage and Housing Corporation at 10.00%, due May 1, 2028, monthly payments of $2,150 principal and interest, secured by a mortgage on buildings.	298,623	300,965
Mortgage payable to Canada Mortgage and Housing Corporation at 5.77%, due October 1, 2016, monthly payments of $4,231 principal and interest, secured by a mortgage on buildings.	501,870	521,767
Mortgage payable to Canada Mortgage and Housing Corporation at 6.875%, due December 1, 2019, monthly payments of $1,369 principal and interest, secured by a mortgage on buildings.	169,271	174,041
Mortgage payable to Canada Mortgage and Housing Corporation at variable rates%, due every 91 days, monthly payments of $2,198 principal and interest, secured by a mortgage on buildings.	303,704	

4. Long-term Debt (continued)

	2002	2001
Flex loan payable to Royal Bank at a variable rates, due every 91 days, payments of principal and interest, due at the end of the term, secured Manitoba Health guarantee.	573,989	-
Flex loan payable to Royal Bank at a variable rates, due every 91 days, payments of principal and interest, due at the end of the term, secured Manitoba Health guarantee.	190,831	-
Mortgage payable to Tiger Hills Credit Union Limited, at 6.32%, monthly payments of $8,001 principal and interest, secured by a first charge against the Tiger Hills Villa land and building, a general assignment of all rents and leases and a chattel mortgage covering the appliances in the Tiger Hills Villa.	1,234,118	1,274,459
Mortgage payable to Canada Mortgage and Housing Corporation at 7.750%, due October 1, 2022, monthly payments of $2,763 principal and interest, secured by a mortgage on buildings.	343,797	350,452
Loan payable to Royal Bank prime less 0.50%, due April 1, 2007, repayable in monthly instalments of $643 plus interest.	33,396	40,092
Demand loan payable to Royal Bank prime less 0.50%.	274,220	-
Mortgage payable to Canada Mortgage and Housing Corporation at 10.00%, due October 1, 2027, monthly payments of $2,702 principal and interest, secured by a mortgage on buildings.	-	306,240
Demand loan payable to Royal Bank prime less 0.50%.	-	614,209
Demand loan payable to Royal Bank prime less 0.50%.	-	23,420
Promissory note payable to the Manitoba Department of Finance at 6.13% due March 31, 2017, repayable in monthly installments of $70,312 plus interest on the last business day of each month beginning April, 2001.	12,656,250	13,500,000
	18,638,473	19,255,141
Less current portion	(1,763,187)	(2,004,105)
	$ 16,875,286	$ 17,251,036

4. Long-term Debt (continued)

Principal repayments for the next five years and thereafter are as follows:

2003	$ 1,763,187
2004	1,012,672
2005	1,022,045
2006	1,032,006
2007	1,042,509
Thereafter	12,766,054
	$ 18,638,473

5. Deferred Contributions and Income

Expended and unexpended deferred contributions represent restricted capital funding received from Manitoba Health. Donations were received from other sources restricted for the purchase of depreciable capital assets.

	Expended	Unexpended	Other	2002	2001
Balance, beginning of year	$ 20,388,614	$ 597,494	$ 2,885,898	$ 23,872,006	$ 23,437,735
Re-classification from prior period	(101,358)	101,358	-	-	-
Re-classification of deferred income	-	73,367	-	73,367	97,176
Beginning of year,as restated	20,287,256	772,219	2,885,898	23,945,373	23,534,911
Funding Manitoba Health	1,143,857	263,143	-	1,407,000	1,670,417
Donations received	-	-	245,097	245,097	643,726
Interest earned	-	-	63,013	63,013	59,159
Other receipts	-	5,401	-	5,401	-
Capital asset purchases	1,460,953	(1,107,346)	(353,607)	-	-
Re-classification to payables	(37,800)	-	(17,287)	(55,087)	(92,927)
Amortization	(1,834,513)	-	-	(1,834,513)	(1,846,104)
Deferred income-other	-	64,141	-	64,141	(23,809)
Balance, end of year	$ 21,019,753	$ (2,442)	$ 2,823,114	$ 23,840,425	$ 23,945,373

6. Net Assets Internally Restricted

Represents donations received which do not have a specified purpose. The Board restricts the donations in accordance with the community which provided the donation in order to ensure that the donations are used to support the health programs of that same community.

7. Manitoba Health Operating Income

	2002	2001
Budgeted Items	$ 44,261,097	$ 40,839,385
Current adjustments - In Globe	-	1,559,283
Current adjustments - Out of Globe	(105,507)	328,527
Past adjustments	-	(26,462)
Non-budgeted	154,636	-
	$ 44,310,226	$ 42,700,733

8. Financial Information at Different Dates

The following entities have been consolidated into these financial statements as at December 31, 2001 and December 31, 2000 respectively.

Baldur Handi-Van Service
Glenboro Handi-Van Service
Hartney Handi-Transit
Souris Handi-Transit
Tiger Hills Handi-van Service

These entities have not been reported as at March 31, 2002 and March 31, 2001, respectively, due to the reporting requirements of their funding agency: The Province of Manitoba - Department of Highways and Transportation. There have been no significant transactions in the intervening period between December 31, 2001 and March 31, 2002 and December 31, 2000 and March 31, 2001, respectively. Details regarding these entities assets, liabilities, net assets as at March 31, 2002 and March 31, 2001, and their revenues and expenses for the three-month intervening period have not been prepared since these entities are not significant to South Westman Regional Health Authority Inc. as a whole.

9. Entities Consolidated based on MHRC Reporting Standards

The financial statements of The Tiger-Hills Villa Inc. are prepared in accordance with the accounting principles required by Manitoba Housing and Renewal Corporation (MHRC). The difference between accounting principles used by Tiger-Hills Villa Inc. and South Westman Regional Health Authority Inc. would not result in significant changes to these financial statements as a whole.

10. Contingencies

The Authority is subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.

11. Economic Dependence

South Westman Regional Health Authority Inc. received 80% of its total revenue for the year ended March 31, 2002 from the Manitoba Health.

12. Commitments

A group of hospitals, including the Authority, have formed the Healthcare Insurance Reciprocal of Canada (HIROC) which pools the public liability insurance risks of its members. All members are subject to re-assessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No re-assessments have been made to March 31, 2002.

13. Pension Plan

Substantially all of the employees of the Authority are members of the Health Employees Pension Plan (HEPP), which is a multi-employer defined benefit pension plan. HEPP plan members will receive benefits based on the length of service and on the average of annualized earnings during the five consecutive years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by HEPP by placing plan assets in trust and through HEPP investment policy.

The most recent actuarial valuation of the Plan at December 31, 2000 indicates the Plan is fully funded. The Civil Service Superannuation Plan is unfunded and requires no contributions by the Authority.

14. Comparative Figures

The comparative amounts presented in the financial statements have been restated to conform to the current year's presentation.

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AUDITORS' REPORT

To the Directors of
Winnipeg Regional Health Authority

We have audited the statement of financial position of Winnipeg Regional Health Authority (the "Authority") as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
June 25, 2002

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Financial Position
March 31, 2002
(in thousands of dollars)

	2002	2001
ASSETS		
CURRENT		
Cash and Marketable Securities	$ 61,300	$ 41,642
Accounts receivable (Note 3)	44,858	58,657
Inventory	6,394	5,648
Prepaid expenses	4,214	1,174
	116,766	107,121
CAPITAL ASSETS, net (Note 4)	274,970	264,709
OTHER ASSETS		
Deferred charges - Future Employee Benefits	116,023	102,048
Cash held in trust for debt service by Manitoba Health	4,314	9,375
Sinking Fund Reserve (Note 6)	48,375	58,811
Specific Purposes Funds (Note 7)	26,701	23,548
Nurse Recruitment & Retention Fund (Note 9)	6,635	6,022
Unamortized debenture issue costs	211	226
	$ 593,995	$ 571,860
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Bank indebtedness	$ -	$ 702
Accounts payable and accrued liabilities (Note 5)	77,471	81,147
Current portion of long term debt (Note 6)	11,679	10,880
	89,150	92,729
LONG TERM DEBT AND DEFERRED CONTRIBUTIONS		
Long Term Debt (Note 6)	221,747	239,688
Accrued Future Employee Benefits	116,023	102,369
Deferred Contributions (Note 8)	111,564	93,958
Specific Purpose Funds (Note 7)	26,701	23,548
Nurse Recruitment and Retention Fund (Note 9)	6,635	6,022
	571,820	558,314
NET ASSETS	22,175	13,546
COMMITMENTS AND CONTINGENCIES (Note 11)		
	$ 593,995	$ 571,860

APPROVED BY THE BOARD

.... Director

.... Director

WINNIPEG REGIONAL HEALTH AUTHORITY

Statement of Operations

March 31, 2002
(in thousands of dollars)

	2002	2001
REVENUE		
Manitoba Health operating income	$ 1,163,415	$ 1,100,814
Other income (Schedule 1)	24,657	41,321
Amortization of deferred contributions		
Capital assets	20,300	24,809
Future expenses	1,140	7,392
	1,209,512	1,174,336
EXPENSES		
Direct Operations (Schedule 2)	559,074	547,081
Amortization of capital assets	20,311	24,809
Interest - long term	17,368	18,771
	596,753	590,661
FACILITY FUNDING		
Acute care facility funding (Schedule 3)	482,479	455,569
Long term care facility funding (Schedule 4)	91,874	90,337
Community health agency funding (Schedule 5)	20,779	20,319
Adult day care facility funding (Schedule 6)	2,476	2,502
Long term care community therapy services	628	556
GRANT FUNDED		
Grants to facilities and agencies (Schedule 7)	14,291	12,967
	1,209,280	1,172,911
OPERATING SURPLUS	232	1,425
Add		
Non-insured Services Net Revenue	1,578	469
NET SURPLUS	$ 1,810	$ 1,894

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Changes in Net Assets
For the year ended March 31, 2002
(in thousands of dollars)

	2002								2001
	Investment in Capital Assets (Note 10)	Unrestricted	Internally Restricted					Total	
			Labour Relations Secretariat	Physician Recruitment	Regional Shared Services	Acute Care Operations	Total Internally Restricted		
Balance, beginning of year	$ 20,736	$ (10,698)	$ 139	$ 1,967	$ 148	$ 1,254	$ 3,508	$ 13,546	$ 11,652
Excess/(Shortfall) of revenue over expenses	(3,827)	6,400	-	(763)	-	-	(763)	1,810	1,894
Net change in investment in capital assets	5,065	(1,498)	-	-	-	-	-	3,567	- -
Transfer of Selkirk Net Assets (Note 18)	-	3,252	-	-	-	-	-	3,252	-
Balance, end of year	$ 21,974	$ (2,544)	$ 139	$ 1,204	$ 148	$ 1,254	$ 2,745	$ 22,175	$ 13,546

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Cash Flows
For the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
OPERATING ACTIVITIES		
Net Surplus	$ 1,810	$ 1,894
Items not affecting cash		
Amortization of capital items	24,193	25,927
Amortization of deferred contributions related to capital assets	(20,365)	(24,873)
Recognition of deferred contributions related to future expenses	(1,140)	(7,392)
Donation of capital assets	-	622
Amortization of debenture issue costs	15	34
	4,513	(3,788)
Changes in non-cash operating working capital items	18,468	5,361
	22,981	1,573
FINANCING ACTIVITIES		
Net change in sinking fund reserve	10,436	(8,781)
Increase in Nurse Recruitment fund liability	-	513
Deferred contributions received		
Capital assets	34,270	31,332
Deferred contributions transferred to facilities	-	(8,991)
(Decrease) Increase in long term debt	(17,142)	9,578
	27,564	23,651
INVESTING ACTIVITIES		
Acquisition of capital assets	(30,887)	(23,869)
Decrease in investment in funds	-	(522)
	(30,887)	(24,391)
INCREASE	19,658	833
CASH AND MARKETABLE SECURITIES, BEGINNING OF YEAR	41,642	$ 40,809
CASH AND MARKETABLE SECURITIES, END OF YEAR	$ 61,300	$ 41,642
Cash and marketable securitites	$ 61,300	$ 39,153
Shared Food Services Project - Escrow Account	-	2,489
	$ 61,300	$ 41,642

1. NATURE OF BUSINESS

The Winnipeg Regional Health Authority ("the Authority") was established on December 1, 1999. The Authority provides community health services directly through its operations of Home Care, Mental Health and Public Health and provides acute care services through its Health Science's Centre (HSC) site. Acute care services are also provided by eight other urban hospitals (Concordia Hospital, Deer Lodge Centre, Inc., Misericordia Health Centre, Riverview Health Centre, Inc., St. Boniface General Hospital, The Salvation Army Grace Hospital, Seven Oaks General Hospital, and Victoria General Hospital) ("the Hospitals"). Long term care, community health and other health services are delivered in the region by the Authority through non-proprietary personal care homes and community health agencies as well as through a number of non-profit organizations.

Effective April 30, 2001 the assets and liabilities of the Selkirk Laundry & Linen were transferred to the Authority. The former Selkirk Laundry & Linen operations are now managed by the Authority and are part of the Logistics Services.

Effective September 14, 2001 the Authority purchased substantially all of the assets of Poseidon Enterprises Ltd. and the Pan Am Surgical Centre. The former Pan Am Surgical Centre operations are now managed by the Authority and are referred to as Pan Am Clinic.

The Authority is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) The reporting entity

The scope of the Authority's operations are classified into four distinct segments. These include:

i. Direct Operations – Home Care services, Mental Health services, Public Health services, Primary Care services, Acute Care services (HSC Site)
ii. Acute Care services – provided through the eight other hospitals by means of operating agreements.
iii. Long Term Care and Community Health services – provided through non-proprietary personal care homes and community health agencies by means of service purchase agreements.
iv. Other Health services – provided through various agencies by means of grant funding mechanisms.

The hospitals described in (ii.) above are defined to be Controlled Entities. The determination of control is described below.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Effective April 1, 1998, the Authority became the majority funder of the Hospitals. The Hospitals act as the Authority's agents in providing health care services mandated by the Province of Manitoba. These health care services are delivered under the control of the Authority from an accounting perspective. This determination of control is based largely on the fact that the Hospitals' purpose is integrated with that of the WRHA such that the Hospitals and the WRHA have common and complementary objectives. Moreover, due to the existence of operating agreements between the Authority and the Hospitals, the WRHA has the power to determine the strategic operating, investing and financing policies of the Hospitals. As permitted by Canadian generally accepted accounting principles, Hospitals have not been consolidated into the Authority's financial statements. Note 14 provides a financial summary of these controlled non-consolidated entities.

b) Revenue recognition

The Authority follows the deferral method of accounting for contributions.

Under the Health Insurance Act and Regulations thereto, the Authority is funded by the Province of Manitoba in accordance with funding arrangements established by Manitoba Health. Operating contributions are recorded as revenue in the period to which they relate. Contributions approved but not received at the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2002.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

c) Investments

Investments in marketable securities are recorded at cost. Market value of the investments at March 31, 2002 is $45,274 (cost - $44,745), March 31, 2001 - $20,574 (cost - $20,456).

d) Medical, drugs and other supplies

Medical, drugs and other supplies are valued at cost.

e) Linen and bedding inventory

Linen and bedding inventory is recorded at cost and expensed when put into usage.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis using an annual rate of:

Buildings	2.5%
Improvements to land & buildings	4-20%
Equipment	10-33%
Computer hardware/software	20%
Furniture	10%
Leasehold improvements	over the life of the lease
Facility upgrades	5%
Start-up costs	33 1/3%

g) *Debenture issue costs*

Debenture issue costs are amortized over the term of the debentures.

h) *Pension expense*

The Authority participates in a multi-employer pension plan (HEPP) as well as the Civil Service Superannuation Pension Plan (CSSP). Pension expense is equal to the Authority's annual funding of the two pension plans.

i) *Financial instruments*

Credit Risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Authority's accounts receivable are comprised mostly of amounts due from the government of Manitoba.

Interest Rate Risk

Interest rate risk is the risk arising from fluctuations in short term interest rates and the volatility of those rates. The Authority mitigates this risk by retaining the option to convert all floating rate borrowings to fixed rate borrowings.

j) *Deferred Charges – Future Employee Benefits*

The Authority records a provision for future employee benefits including accrued vacation entitlements, accrued overtime and accrued retirement entitlement obligations.

The Authority has a contractual commitment to pay out to employees four days salary per year of service upon retirement subject to meeting certain criteria.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Authority undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 6.5% and a rate of salary increase of 4.0% plus age related merit/promotion scale with nil for disability.

Funding for the future employee benefits is recoverable from Manitoba Health as a component of salary costs in the period in which the expenditures are made. Accordingly, the cost of the estimated accrued vacation pay, overtime and retirement entitlement obligations at year-end is deferred to enable an appropriate matching of expenses with funding secured in subsequent years.

k) Surplus Retention and Use Policy

In accordance with the Authority's Surplus Retention and Use Policy, 50% of the insured services operating surplus for the current fiscal year of Acute Care Operations and Controlled Entities are carried on the Statement of Financial Position as Deferred Contributions until such time as the Authority reviews the audited financial statements of its Controlled Entities. At that time, the Authority will confirm with the controlled entity the approved amount of the retainable surplus.

l) Due to/from Manitoba Health

Any operating surplus related to Out of Globe funding arrangements or operating surpluses greater than 2% of budget related to In Globe funding arrangements for the year is carried on the statement of financial position as a payable due to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the WRHA or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is carried on the statement of financial position as a receivable from Manitoba Health until Manitoba Health reviews the financial statements. At that time Manitoba Health submits their final funding approvals which indicate the portion of the deficit that will be paid to the WRHA. Any unapproved costs not paid by Manitoba Health are absorbed by the WRHA.

3. ACCOUNTS RECEIVABLE

	2002	2001
Manitoba Health		
Operating and Capital	**$ 29,603**	$ 38,198
Nurse Recruitment and Retention Fund	**1,282**	839
	30,885	39,037
Other	**13,973**	19,620
	$ 44,858	$ 58,657

WINNIPEG REGIONAL HEALTH AUTHORITY
Notes to the Consolidated Financial Statements
March 31, 2002
(amounts in thousands of dollars)

4. CAPITAL ASSETS

	2002			2001
	Cost	Accumulated Depreciation	**Net Book Value**	Net Book Value
Land	4,590	-	**4,590**	$ 4,516
Buildings	291,884	104,184	**187,700**	176,619
Improvements to land & buildings	4,493	2,063	**2,430**	1,922
Equipment	237,120	190,333	**46,787**	46,978
Computer hardware	3,933	1,620	**2,313**	2,148
Computer software	989	308	**681**	548
Furniture	1,685	296	**1,389**	1,269
Leasehold improvements	947	260	**687**	-
Facility upgrades	4,913	585	**4,328**	3,884
Construction in progress	24,053	-	**24,053**	26,350
Start-up costs	2,837	2,825	**12**	475
	577,444	302,474	**274,970**	$ 264,709

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2002	2001
Accounts payable and accrued liabilities	$ **52,727**	$ 57,418
Accrued salaries	**20,750**	14,224
Accrued interest on long term debt	**3,462**	8,458
Holdbacks on construction contracts	**532**	193
Unearned revenue	**-**	854
	$ **77,471**	$ 81,147

6. LONG-TERM DEBT

a) Bank loans payable consist of the following:

	2002	2001
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health, 2.69% revolving 60 days.	$ **18,051**	$ 8,592
Pan Am Clinic Bank loan, prime less 0.8%	**3,300**	-
	$ **21,351**	$ 8,592

6. LONG-TERM DEBT (continued)

b) Debentures payable consist of the following:

	2002	2001
13 5/8% Debenture dated November 15, 1984 maturing 2004, annual payments of $42	$ 97	$ -
13.40% Sinking fund debenture maturing 2004, annual payments of $1,100	50,000	50,000
10.00% Sinking fund debenture maturing 2011, annual payments of $625	25,000	25,000
7.50% Sinking fund debenture maturing 2001, annual payments of $3,500	-	100,000
6.40% Debenture maturing 2016, annual payments of $5,333	76,444	-
6.50% Debenture maturing 2014, annual payments of $2,143	27,143	30,000
	$ 178,684	$ 205,000

c) Mortgages payable consist of the following:

	2002	2001
8.25% Mortgage, maturing 2017 Emily Street Parkade	$ 11,111	$ 11,515
6.88% Mortgage maturing 2020, Harry Medovy House	524	539
6.47% Mortgage, maturing 2004, William Avenue Parkade	743	1,038
7.38% Mortgage payable, maturing 2018 Nutrition & Food Services	17,933	18,473
7.04% Mortgage payable, maturing 2006 Nutrition & Food Services	2,697	3,176
6.86% Mortgage payable, maturing 2003 Nutrition & Food Services	383	601
	$ 33,391	$ 35,342

6. LONG-TERM DEBT (continued)

	2002	2001
Long term deposits		1,634
Less amounts due within one year, included in current liabilities	(11,679)	(10,880)
	$ 221,747	$ 239,688

At March 31, 2002 the carrying value of the sinking fund reserves and accumulated interest aggregated $48,375 (March 31, 2001 - $58,811). Annual payments are made by the Authority/Manitoba Health from cash held in trust. The aggregate balance in the sinking fund reserves for all debentures will be sufficient to retire the associated sinking fund debentures at maturity.

Certain of the long-term debt instruments contain various restrictive covenants.

d) The principal repayments over the next five years are as follows:

2003	$11,679
2004	59,524
2005	10,330
2006	10,356
2007	10,207

7. SPECIFIC PURPOSE FUNDS

Cash and investments held for specific purposes include the following:

	2002	2001
Cash and marketable securities, at cost	$ 26,701	$ 23,548

The Authority maintains numerous research, trust and clearing accounts designated for specific purposes. An analysis of the changes in funds designated for specific purposes is as follows:

	2002	2001
Balance, beginning of year	$ 23,548	$ 19,287
Grants, bequests and donations	16,179	15,637
Investment income	1,581	1,365
Disbursements	(14,607)	(12,741)
Balance, end of year	$ 26,701	$ 23,548

7. SPECIFIC PURPOSE FUNDS (continued)

Certain of the funds designated for specific purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact, or that the principal be used for specifically stated purposes.

8. DEFERRED CONTRIBUTIONS

	2002	2001
Deferred contributions, future expenses	$ 20,427	$ 16,726
Deferred contributions, capital	91,137	77,232
Deferred contributions, total	$ 111,564	$ 93,958

a) Deferred contributions, future expenses

Deferred Contributions related to future expenses represent the unspent amount of funding received for the purchase of the Authority's operating expenses. The amortization of deferred contributions, future expenses is recorded as revenue in the statement of operations.

	2002	2001
Balance, beginning of year	$ 16,726	$ 4,763
Amount received during the year	4,841	19,615
Less amount recognized as revenue in the year	(1,140)	(7,392)
Less: reclassification	-	(260)
Balance, end of year	$ 20,427	$ 16,726

b) Deferred contributions, capital

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of funding received for the purchase of the Authority's capital assets. The amortization of deferred contributions, capital is recorded as revenue in the statement of operations.

	2002	2001
Balance, beginning of year	$ 77,232	$ 83,570
Contributions received	34,270	31,332
Deferred contributions removed on donations of assets	-	(4,066)
Amounts transferred to facilities for capital purchases	-	(8,991)
Amounts amortized to revenue – Programs	(20,300)	(24,809)
Amounts amortized to revenue – Ancillary operations	(65)	(64)
Add: Prior year reclassification	-	260
Balance, end of year	$ 91,137	$ 77,232

9. NURSE RECRUITMENT AND RETENTION FUND

In 2000, Manitoba Health had established a $7 million Nurse Recruitment and Retention Fund in order to assist with the implementation of recruitment and retention strategies for nurses throughout Manitoba. The Authority holds, invests and disburses funds on behalf of the Nurse Recruitment and Retention Committee. The Fund is administered by a tri-partite committee comprised of the Regional Health Authorities of Manitoba, Manitoba Health, and the Manitoba Nurses Union. The Authority can only disburse funds upon authorization of the Committee.

	2002	2001
Balance, beginning of year	$ 6,022	$ 5,899
Additions to fund	2,469	1,505
Interest earned on investment	248	411
Fund expenditures	(2,104)	(1,793)
Balance, end of year	$ 6,635	$ 6,022

10. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2002	2001
Capital assets	$ 247,469	$ 237,884
Startup costs	12	475
Construction and other projects in progress	27,489	26,350
	274,970	264,709
Amounts financed by:		
Sinking fund	48,375	58,811
Cash held in trust by Manitoba Health for debt service	4,314	9,375
Deferred contributions	(91,137)	(77,232)
Loans and accounts payable	(214,548)	(234,927)
Investment in Capital Assets	$ 21,974	$ 20,736

10. INVESTMENT IN CAPITAL ASSETS (continued)

Change in net assets invested in capital assets is calculated as follows:

	2002	2001
a) Excess of expenses over revenues		
Amortization of capital assets included in programs	$ (20,311)	$ (24,809)
Amortization of capital assets included in ancillary operations	(3,882)	(1,118)
Amortization of deferred contributions related to capital assets included in programs	20,300	24,809
Amortization of deferred contributions related to capital assets included in ancillary operations	66	64
Donation of capital assets expense	-	(622)
	$ (3,827)	$ (1,676)
b) Purchase of capital assets	$ 30,887	$ 23,869
Transferring of capital assets (Note 18)	3,567	-
Amounts funded by:		
Increase in capital contributions receivable	4,881	418
Capital contributions received	(34,270)	(31,332)
Amounts transferred out	-	8,991
	$ 5,065	$ 1,946
Change in net assets	$ 1,238	$ 270

11. COMMITMENTS AND CONTIGENCIES

a) The Authority is subject to legal action arising in the normal course of business. It is not expected that this legal action will have a material adverse affect on the financial position of the Authority.

b) At March 31, 2002, minimum annual lease payments of the Authority under the operating lease for the premises at 155 Carlton Street expiring May 31, 2009 are $416 and aggregate $3,815.

c) The Authority had capital commitments of approximately $2,316 (Mar 31 2001 - $8,318) and equipment purchase commitments of approximately $4,776 (Mar 31 2001 - $3,985) outstanding at March 31, 2002.

d) Acute Care Operations has entered into various operating lease commitments. The minimum amounts payable over the next five years are as follows:

2003	$ 5,124
2004	4,046
2005	3,185
2006	2,328
2007	1,556

12. PENSION PLAN

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (HEPP) or the Civil Service Superannuation Plan (CSSP). HEPP is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Authority. Former civil servants transferred to the Authority could elect to remain members of the Civil Service Superannuation Plan which is a government based defined benefit plan. All new Authority employees are eligible to join HEPP and not the CSSP.

The most recent actuarial valuation of HEPP at January 1, 2002 indicates the plan is fully funded. The CSSP is unfunded and requires no contributions by the Authority.

13. ECONOMIC DEPENDENCE

The Authority received approximately 98% of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations.

14. CONTROLLED ENTITIES INFORMATION

A financial summary of the eight urban hospitals which have not been consolidated with the accounts of the Authority is as follows:

Financial Position:	2002	2001
Assets	$ 549,908	$ 515,310
Liabilities	497,830	475,780
Total Net Assets	$ 52,078	$ 39,530
Results of operations:		
Total Revenues	$ 532,904	$ 512,091
Total Expenses	531,172	512,124
Surplus/(Deficit) from Operations	$ 1,732	$ (33)
Ancillary Operations:		
Total Revenues	$ 30,775	$ 23,310
Total Expenses	28,553	21,171
Surplus from Ancillary Operations	2,222	2,139
Surplus refundable to WRHA	(1,013)	(285)
Prior years' deficit/(funding recovery) support	306	(849)
Total Surplus	$ 3,247	$ 972
Cash Flows:		
From operating activities	$ 20,068	$ 36,664
Cash used for Financing & Investing	(13,122)	(22,643)
Increase in cash	$ 6,946	$ 14,021

15. RELATED PARTY TRANSACTIONS

The Authority is responsible for the overall management of health care services provided in the Winnipeg Health Region. Programs are delivered in the region by the Authority through its direct service operations, by Hospitals through an operating agreement, by non-proprietary personal care homes and community health agencies through a service purchase agreement as well as through a number of non-profit organizations through a grant funding mechanism. The Authority transacts business on a regular basis with the organizations and agencies described in Notes 1. and 2a.

16. RELATED ENTITIES

The Authority has an economic interest in both the Health Sciences Centre Foundation Inc. (HSCF) and the Children's Hospital Foundation of Manitoba Inc. (CHFM). The financial statements of the foundations have not been included in these statements.

Both foundations are incorporated under the Corporations Act of Manitoba and are registered charities for the purposes of the Income Tax Act and accordingly exempt from income taxes. The foundations' aims and objectives are to raise, invest and allocate funds for research projects through a number of institutions.

During the year $45 (2001 - $119) in funds were distributed through Health Sciences Centre. HSCF also administers payments to medical researchers that work at Health Sciences Centre on a fee for service basis. The fees paid to HSCF during the year by Health Sciences Centre for this service amounted to $9 (2001 - $11).

During the year, CHFM contributed $459 (2001 - $411) to Health Sciences Centre to assist with activities at the Children's Hospital.

17. HIROC

On July 1, 1987, a group of health care organizations ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2002.

18. ACQUISITIONS

Selkirk Laundry & Linen

On April 30, 2001, the Authority acquired 100% of the assets of Selkirk Laundry & Linen from the Interlake Regional Health Authority. No purchase price was paid for this entity.

Net Assets acquired

Current Assets	$	1,240
Capital Assets		3,567
Current Liabilities		(478)
Long Term Liabilities		(1,077)
Total Net Assets	$	3,252

The acquisition was accounted for as an increase in Net Assets. The results of operations are included in the consolidated financial statements from the effective date of the acquisition of April 30, 2001.

Pan Am Clinic

On September 14, 2001, the Authority acquired substantially all of the assets of Poseidon Enterprises Ltd. and the Pan Am Surgical Centre.

Net Assets acquired, at fair value

Current Assets	$	62
Capital Assets		3,374
Total Net Assets	$	3,436

Consideration Given

Cash	$	3,436

The acquisition was accounted for by the purchase method. The results of operations are included in the consolidated financial statements from the effective date of the acquisition of September 14, 2001. There are contingent future payments totaling $600 over the next 3 years.

19. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 1 - Other income

For the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
Separately funded primary health programs	$ 2,180	$ 1,936
Logistics Services recoveries	-	19,676
Other income	22,477	19,709
	$ 24,657	$ 41,321

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 2 - Direct Operations Expenses

For the year ended March 31, 2002
(in thousands of dollars)

	2002	%	2001	%
Regional Health Authority undistributed expenses	$ 14,642	2.6%	$ 11,115	2.0%
Regional food & contracting services	-	0.0%	19,025	3.5%
Acute care operations	321,466	57.5%	314,415	57.5%
Acute care medical remuneration	84,206	15.1%	75,638	13.8%
Community based home care services	109,754	19.6%	105,431	19.3%
Community based mental health services	5,459	1.0%	3,742	0.7%
Community based long term care services	5,747	1.0%	4,841	0.9%
Community based primary health services	12,970	2.3%	10,024	1.8%
Separately funded primary health programs	2,391	0.4%	1,936	0.4%
Aboriginal services and strategies	1,029	0.2%	-	0.0%
Special initiatives and other one-time costs	1,410	0.3%	914	0.2%
	$ 559,074	100.0%	$ 547,081	100.0%

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 3 - Acute Care Facility Funding

For the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
Concordia Hospital	**$ 35,906**	$ 31,789
Deer Lodge Centre	**32,883**	29,643
Grace General Hospital	**55,714**	52,592
Manitoba Adolescent Treatment Centre	**7,327**	7,361
Misericordia Health Centre	**27,222**	26,653
Riverview Health Centre	**32,742**	31,922
Seven Oaks General Hospital	**51,925**	47,520
St. Boniface General Hospital	**191,350**	183,246
Victoria General Hospital	**47,410**	44,843
Total Acute Care Facility Funding	**$ 482,479**	$ 455,569

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 4 - Long Term Care Facility Funding
For the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
Bethania	$ 5,095	$ 4,825
Calvary Place	4,119	4,139
Concordia	5,327	5,227
Convalescent Home	2,087	2,084
Donwood Manor	3,647	3,671
Foyer Valade	3,436	3,530
Fred Douglas	3,900	3,926
Golden Links	2,580	2,591
Golden West	3,074	3,005
Holy Family	8,509	8,697
Lions Manor	3,574	4,054
Luther Home	2,295	2,175
Meadowood	2,279	2,153
Middlechurch	5,892	5,729
Misericordia Place	3,405	3,407
Park Manor	3,001	2,871
Pembina Place (formerly Deaf Centre)	2,000	2,044
Sharon Home	7,216	6,029
St. Joseph's	2,890	2,791
Tache	11,257	11,473
West Park	3,656	3,345
Supportive Housing	2,297	2,019
Miscellaneous Funding Adjustments	338	552
Total	$ 91,874	$ 90,337

The facility funding reported on the schedule reflects approximately 75% of the personal care homes total annual budget. The remainder of the budget is funded directly by the facility through Residential Charges.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 5 - Community Health Agency Funding

For the year ended March 31, 2002
(in thousands of dollars)

		2002		2001
Health Action Centre	$	**2,344**	$	2,268
Hope Centre		**733**		647
Klinic		**3,167**		3,010
Main Street Project		**1,264**		1,252
MFL Occupational Health		**617**		689
Mount Carmel Clinic		**4,752**		5,370
Nor'West Co-op		**835**		878
Rehab Centre		**1,823**		1,774
Village Clinic		**1,413**		1,127
Women's Health Centre		**1,162**		1,040
Youville Clinic		**1,782**		1,730
Sexuality Education Resource Centre		**485**		354
Miscellaneous Funding Adjustments		**402**		180
Total	$	**20,779**	$	20,319

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 6 - Adult Day Care Facility Funding

For the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
Convalescent Home	$ 31	$ 31
Deer Lodge Centre	156	156
Fred Douglas	138	138
Golden Links	43	43
Golden West	121	121
Holy Family	141	141
Independent Living Resource Centre	88	88
Lions Manor	137	124
Lions Place - Charleswood	233	233
Lions Place - Concordia	164	164
Lions Place - 610 Portage	190	204
Luther Home	70	70
Middlechurch	144	144
Oakview Place	110	110
Park Manor	89	89
Riverview Health Centre	148	148
Sharon Home	49	49
South YM/YWCA	131	126
Tache	293	292
Miscellaneous Funding Adjustments	-	31
Total	$ 2,476	$ 2,502

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 7 - Grants to Facilities and Agencies
For the year ended March 31, 2002
(in thousands of dollars)

	2002	2001
Age & Opportunity Centre Inc.	$ 571	$ 447
AGR Health Services to Seniors	176	29
Bethel Place	30	30
Bluebird Service Club	7	7
Bonivital Council for Seniors	29	27
Broadway Seniors Resource Council Inc.	30	27
Brooklands/Weston Community Resource	29	14
Canadian Mental Health Association	864	864
Charleswood Senior Centre	5	11
Chez Nous Inc.	11	11
City of Winnipeg - Emergency Services	4,479	4,078
Clubhouse of Winnipeg Inc.	357	362
Columbus Manor	11	11
Community Therapy Services	178	178
Creative Retirement Manitoba	27	16
Fort Garry Services Inc.	11	11
Foyer Vincent Inc.	12	12
Friendly Neighbour Council	29	27
Friends Housing Inc.	70	70
Good Neighbours Senior Centre Inc.	32	28
Gwen Secter Creative Living Centre	39	39
Independent Living Resource Centre	-	239
Jewish Child and Family	29	-
Jocelyn House	70	42
Kingsford Haus Co-op Ltd.	7	11
L'Accueil Colombien Inc.	13	13
Lions Club	27	27
Manitoba Association of Multipurpose Senior Centres	2	2
Manitoba Cardiac Institute (Reh-fit)	630	440
Manitoba Eastern Star Chalet	7	7
Manitoba Housing Authority	237	232
MacDonald Youth Services	422	289
Mach Diabetes	141	15
Meals on Wheels of Winnipeg Inc.	11	141
Metropolitan Kiwanis Courts	31	11
Middlechurch Home of Winnipeg	-	27
North Winnipeg Community Council	32	31
Pembina Place (formerly Deaf Centre Manitoba Inc.)	25	25
River East Council for Seniors	36	20
Rose & Max Rady Jewish Community Centre	16	16
Ruperts Land Caregiver Services	29	18
S.S.C.O.P.E. Incorporated	91	86
Salvation Army	1,856	1,772
Sara Riel Inc.	1,500	1,463
Seniors Home Help Inc.	48	48
Seneca House	260	297
Serena Manitoba Inc.	11	11
Seven Oaks Wellness Centre	319	-
South Winnipeg Senior Resource Council Inc.	33	13
St. Amant Centre	13	13
St. James/Assiniboia Senior Centre Inc.	116	115
Stay Young Centre	16	16
Ten Ten Sinclair Housing Inc.	892	892
Transcona Council for Seniors	31	20
University of Manitoba	30	30
University of Manitoba - Library Services	-	60
Villa Cabrini Inc.	22	22
Villa Nova	7	7
Villa Tache	20	20
Villa Vita Inc.	25	25
Wolseley Family Centre	87	-
YW/YMCA of Winnipeg	152	152
Total	$ 14,291	$ 12,967

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Deloitte & Touche

AUDITORS' REPORT

To the Board of Directors of
Rehabilitation Centre For Children, Inc.

We have audited the statement of financial position of the Rehabilitation Centre For Children, Inc. as at March 31, 2002 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
May 10, 2002

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Financial Position

March 31, 2002

	2002	2001
ASSETS		
CURRENT		
Cash	$ 114,007	$ 76,973
Accounts receivable (Note 3)	463,770	428,233
Inventory	144,090	137,882
Prepaid expenses	2,558	2,457
Deferred charges - future employee benefits (Note 2d)	404,893	373,954
	1,129,318	1,019,499
RESTRICTED CASH (Note 8a)	21,256	21,509
CAPITAL ASSETS (Note 4)	130,321	113,905
	$ 1,280,895	$ 1,154,913
LIABILITIES		
CURRENT		
Accounts payable	$ 213,706	$ 173,274
Accrued future employee benefits (Note 2d)	404,893	373,954
	618,599	547,228
DEFERRED CONTRIBUTIONS (Note 5)	140,873	121,261
	759,472	668,489
NET ASSETS		
Invested in capital assets (Note 8a)	10,704	14,153
Restricted (Note 9)	46,411	39,025
Unrestricted	464,308	433,246
	521,423	486,424
	$ 1,280,895	$ 1,154,913

APPROVED BY THE BOARD

R. Anderson .... Director

.... Director

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Operations

Year Ended March 31, 2002

	2002	2001
REVENUE		
Patient services - Winnipeg Regional Health Authority	$ 1,844,644	$ 1,764,907
Sales of orthotics and prosthetics	486,571	522,849
Restricted donations		
Variety Club of Manitoba Tent 58	56,986	83,621
Rehabilitation Centre for Children Foundation Incorporated	28,576	97,311
Sales of assistive devices	133,244	118,445
School therapy program	813,698	772,543
Provincial Outreach Therapy for Children program	288,596	285,261
Miscellaneous	79,693	67,616
	3,732,008	3,712,553
EXPENSES		
Salaries	1,653,510	1,639,708
Employee benefits and costs	250,078	233,991
Orthotics and prosthetics supplies	88,523	89,428
Special devices supplies	184,307	181,672
Other supplies and expenses	189,318	176,878
Restricted expenditures		
Variety Club Manitoba Tent 58 - prosthetics	56,986	83,621
Rehabilitation Centre for Children Foundation Incorporated	28,576	97,311
School therapy salaries and other costs	808,809	753,958
Provincial Outreach Therapy for Children salaries and other costs	281,210	276,838
Repairs and maintenance	73,299	32,152
Utilities, insurance and taxes	59,478	68,144
Purchased services	25,110	42,467
	3,699,204	3,676,168
EXCESS OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING	32,804	36,385
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions	31,253	22,222
Amortization of capital assets	(34,702)	(30,811)
Interest income	5,644	8,764
	2,195	175
EXCESS OF REVENUE OVER EXPENSES	$ 34,999	$ 36,560

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Changes in Net Assets
Year Ended March 31, 2002

	2002				2001
	Invested in Capital Assets (Note 8a)	Restricted (Note 9)	Unrestricted	**Total**	Total
Balance, beginning of year	$ 14,153	$ 39,025	$ 433,246	**$ 486,424**	$ 449,864
Excess of revenue over expenses (expenses over revenue) (Note 8b)	(3,449)	7,386	31,062	**34,999**	36,560
Balance, end of year	$ 10,704	$ 46,411	$ 464,308	**$ 521,423**	$ 486,424

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Cash Flows

Year Ended March 31, 2002

	2002	2001
OPERATING ACTIVITIES		
Net excess of revenue over expenses	$ 34,999	$ 36,560
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of capital assets	34,702	30,811
Amortization of deferred contributions	(31,253)	(22,222)
	38,448	45,149
Net change in non-cash working capital balances related to operations	(1,414)	(63,240)
	37,034	(18,091)
FINANCING AND INVESTING ACTIVITIES		
Increase in deferred contributions related to capital assets	50,865	68,413
Changes in cash restricted for purchases of capital assets	253	(9,350)
Purchase of capital assets	(51,118)	(59,063)
	-	-
NET INCREASE (DECREASE) IN CASH POSITION	37,034	(18,091)
CASH POSITION, BEGINNING OF YEAR	76,973	95,064
CASH POSITION, END OF YEAR	$ 114,007	$ 76,973

REHABILITATION CENTRE FOR CHILDREN, INC.

Notes to the Financial Statements

March 31, 2002

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1. NATURE AND OBJECTIVES OF THE CENTRE

The Rehabilitation Centre for Children, Inc. was incorporated by Articles of Incorporation under the Corporations Act of Manitoba on March 2, 1981, without authorized share capital and is a registered charity under the Income Tax Act.

The Mission of the Rehabilitation Centre for Children, Inc. is to improve the quality of life, through excellence in rehabilitation services, for Manitoba's children with physical disabilities.

We will achieve this mission through direct service, education and services.

2. SIGNIFICANT ACCOUNTING POLICIES

a) *Funding from Winnipeg Regional Health Authority*

Under the Health Services Insurance Act, 1970, the Centre is funded during the year by the Winnipeg Regional Health Authority for the total of its approved budgeted expenses, excluding school therapy, orthotics and prosthetics expenses, as determined by the Winnipeg Regional Health Authority. The Centre is entitled to retain surpluses up to a maximum of 2% of Winnipeg Regional Health Authority approved programs.

b) *Inventory*

Inventory is valued at the lower of cost or replacement cost.

c) *Capital assets*

Equipment acquired April 1, 1981 is recorded at a nominal value. Additions to equipment subsequent to April 1, 1981 are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Building and building service equipment	20 years
Equipment and furniture	5 - 10 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Deferred charges – future employee benefits*

The Centre records a provision for future employee benefits including accrued vacation entitlements, accrued overtime and accrued retirement entitlement obligations. Funding for the future employee benefits is recoverable from the Winnipeg Regional Health Authority as a component of salary costs in the period in which the expenditures are made. Accordingly, the cost of the estimated accrued vacation pay, overtime and retirement entitlement obligations at year-end is deferred to enable an appropriate matching of expenses with income secured in subsequent years.

e) *Revenue recognition*

The Centre follows the deferral method of accounting for contributions which includes donations and government grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at the same rate as the corresponding capital asset.

f) *Financial instruments*

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. In addition, the Centre is exposed to credit risk from its customers. However, the Centre has a large number of customers which minimizes the concentration of credit risk.

3. ACCOUNTS RECEIVABLE

	2002	2001
Patient services	$ 114,893	$ 105,410
School divisions	152,357	141,607
Manitoba Health		
Operations	37,792	37,792
Patient services	100,045	94,991
Winnipeg Regional Health Authority		
Operations	29,188	23,285
Due from Rehabilitation Centre for Children Foundation Incorporated (Note 7)	28,022	20,354
Other	1,473	4,794
	$ 463,770	$ 428,233

The Centre estimates that it will recover $5,903 for the 2002 fiscal year and $23,285 for the 2001 fiscal year when the Winnipeg Regional Health Authority completes its review and adjustments for these years. The Centre estimates that it will recover $3,115 for the 1998 fiscal year, $28,939 for the 1996 fiscal year and $5,738 for the 1995 fiscal year when Manitoba Health completes its review and adjustments for these years. These amounts have been recorded in the accounts of the respective years.

4. CAPITAL ASSETS

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building and building service equipment	$ 207,401	$ 207,400	$ 1	$ 1
Equipment and furniture	537,908	407,588	130,320	113,904
	$ 745,309	$ 614,988	$ 130,321	$ 113,905

5. DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded in the statement of operations. Changes in the deferred contributions are as follows:

	2002	2001
Balance, beginning of year	$ 121,261	$ 75,070
Add: contributions	50,865	68,413
Less: amounts amortized to revenue	(31,253)	(22,222)
	$ 140,873	$ 121,261

6. PENSION PLAN

Substantially all of the employees of the Centre are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at January 1, 2002 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Centre on behalf of its employees amounted to $117,144 (2001 - $111,147) and are included in the statement of operations.

7. RELATED ENTITIES

The Rehabilitation Centre for Children Foundation Incorporated (the Foundation) exists solely to support the activities of the Rehabilitation Centre for Children, Inc. The Chair of the Centre's Board of Directors sits as a Director on the Foundation's 15 member Board. The Foundation is incorporated under the Corporations Act of Manitoba and is a registered charity under the Income Tax Act. The Foundation may, at its discretion, fund specific projects of the Centre but such funding is for restricted purposes and is not available for general operating activities. The financial statements of the Foundation have not been consolidated in these statements. The financial summary of the controlled entity is as follows:

	2002	2001
Financial Position		
Total assets	**$ 1,467,318**	$ 1,450,043
Total liabilities	**45,041**	18,367
Total net assets	**$ 1,422,277**	$ 1,431,676
Results of Operations		
Total revenues	**$ 285,765**	$ 241,222
Total expenses	**295,164**	266,139
Excess of expenses over revenue	**$ (9,399)**	$ (24,917)

8. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2002	2001
Restricted cash	$ 21,256	$ 21,509
Capital assets	130,321	113,905
Amounts financed by deferred contributions	(140,873)	(121,261)
	$ 10,704	$ 14,153

b) Change in net assets invested in capital assets is calculated as follows:

	2002	2001
Excess of expenses over revenue		
Amortization of deferred contributions related to capital assets	$ 31,253	$ 22,222
Amortization of capital assets	(34,702)	(30,811)
	(3,449)	(8,589)
Net change in investment in capital assets		
Cash	(253)	9,350
Purchase of capital assets	51,118	59,063
Deferred contributions	(50,865)	(68,413)
	-	-
	$ (3,449)	$ (8,589)

9. RESTRICTED NET ASSETS

Per the Centre's agreement with the Province of Manitoba Department of Family Services and Housing, surpluses generated through the Provincial Outreach Therapy for Children program are restricted to the future provision of outreach therapy services.

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the financial statement presentation adopted in the current year.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Member of the Special Operating Agencies Financing Authority

We have audited the combined balance sheet of the Special Operating Agencies Financing Authority at March 31, 2002 and the combined statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2002 and results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 22, 2002

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Balance Sheet

(In Thousands)

March 31	2002	2001
Assets		
Current:		
Cash	$ 6,646	$ 2,153
Term deposits with the Minister of Finance	14,493	24,281
Customer deposits	1,249	1,271
Accounts receivable (Note 3)	9,512	11,308
Inventories	4,106	5,173
Prepaid expenses	1,758	1,530
	37,764	45,716
Capital assets (Note 4)	50,864	43,977
Receivable from the Province of Manitoba (Note 5)	5,102	5,102
	$ 93,730	$ 94,795
Liabilities		
Current:		
Working capital advances (Note 6)	$ 8,711	$ 8,746
Accounts payable and accruals	10,988	12,131
Accounts payable - Province of Manitoba	-	6,966
Unearned revenue	2,056	2,009
Current portion of long-term debt	4,799	4,327
	26,554	34,179
Long-term debt - Province of Manitoba (Note 7)	13,922	9,112
Severance liability (Note 9)	4,136	3,916
	44,612	47,207
Equity (Note 10)		
Contributed equity	17,661	17,661
Reserve funds (Note 11)	1,405	1,170
Retained earnings	30,052	28,756
	49,118	47,588
	$ 93,730	$ 94,795

Commitments (Note 12)
Subsequent Events (Note 16)

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Income and Retained Earnings

(In Thousands)

Year Ended March 31	2002	2001
Special Operating Agencies Financing Authority		
Revenue		
Annual levy	$ 15	$ 14
Treasury Board Secretariat contribution	86	99
	101	113
Expenses		
Salaries and benefits	68	82
Other operating	35	29
	103	111
Financing Authority operations	(2)	2
Special Operating Agency operations - net income (loss)		
Civil Legal Services	170	434
Companies Office	1,862	1,876
Fleet Vehicles Agency	2,925	2,741
Food Development Centre	75	(30)
Industrial Technology Centre	40	240
Land Management Services	152	943
Mail Management Agency	(198)	63
MERLIN	(44)	(16)
Manitoba Securities Commission	4,828	4,705
Manitoba Text Book Bureau	29	(3)
Materials Distribution Agency	504	957
Office of the Fire Commissioner	(293)	(109)
Organization and Staff Development	122	78
Pineland Forest Nursery	63	(47)
The Property Registry	3,814	3,564
The Public Trustee	(42)	90
Vital Statistics Agency	71	183
Net income for the year	14,076	15,671
Retained earnings, beginning of year	28,756	26,445
Transfer of surplus funds to the Province of Manitoba		
Civil Legal Services	-	(500)
Companies Office	(1,960)	(2,500)
Fleet Vehicles Agency	(1,100)	(2,000)
Land Management Services	(250)	(500)
Manitoba Securities Commission	(5,500)	(1,600)
Materials Distribution Agency	(400)	(525)
Office of the Fire Commissioner	-	(300)
The Property Registry	(3,100)	(4,500)
Vital Statistics Agency	(235)	(700)
Reserve fund - Manitoba Securities Commission (Note 1[illegible])	(235)	(235)
Retained earnings, end of year	$ 30,052	$ 28,756

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Cash Flows

(In Thousands)

Year Ended March 31	2002	2001
Cash derived from (applied to):		
Operating		
Net income	$ 14,076	$ 15,671
Amortization	9,661	8,487
Gain on disposal of capital assets	(730)	(762)
	23,007	23,396
Change in:		
Customer deposit accounts	22	(149)
Accounts receivable	1,796	220
Inventories	1,067	(1,200)
Prepaid expenses	(228)	(28)
Deferred contributions - Province of Manitoba	-	1,025
Accounts payable and accruals	(8,109)	8,387
Pension liability	-	(7,266)
Severance liability	220	240
Unearned revenue	47	287
Cash derived from operating activities	17,822	24,912
Investing		
Proceeds from disposal of capital assets	1,517	1,883
Acquisition of capital assets	(17,336)	(11,846)
Long-term investment	-	1,500
Cash applied to investing activities	(15,819)	(8,463)
Financing		
Proceeds from long-term debt - Province of Manitoba	9,950	5,650
Long-term debt repayments	(4,668)	(5,364)
Transfer of surplus funds to the Province of Manitoba	(12,545)	(13,125)
Receivable from the Province of Manitoba	-	(40)
Cash applied to financing activities	(7,263)	(12,879)
Increase (decrease) in cash	(5,260)	3,570
Cash and cash equivalents:		
Beginning of year	17,688	14,118
End of year	$ 12,428	$ 17,688
Represented by:		
Cash	$ 6,646	$ 2,153
Term deposits with the Minister of Finance	14,493	24,281
Working capital advances	(8,711)	(8,746)
	$ 12,428	$ 17,688

See accompanying notes to the financial statements.

2. Significant accounting policies

The financial statements of the Financing Authority are presented in accordance with Canadian generally accepted accounting principles.

Basis of reporting

The financial statements of the Financing Authority reflect the financial position and operating results of SOAs currently governed by management agreements with the Financing Authority. These statements are presented on a combined basis. Therefore, inter-agency balances and transactions have not been eliminated.

The following policies apply to the Financing Authority, as well as to all agencies combined herein.

Amortization of capital assets

Vehicles, fire engines	30%, declining balance
Vehicles (signed lease agreement)	straight line over term of lease
Equipment and furniture	20 - 33%, straight line 20%, declining balance
Computer equipment and software	20%, straight line
Rental equipment (Materials Distribution Agency)	2, 3, or 5 years, straight line
Buildings	5 - 40 years, straight line
Practical training site (Office of the Fire Commissioner)	20 years, straight line
Leasehold improvements	3 - 10 years, straight line
Other assets	3 years, straight line

Inventories

Inventories are valued at the lower of cost and market value.

3. Accounts receivable

	2002	2001
Trade	$9,026	$10,820
Recoverable infrastructure expenditures	-	64
Insurance agency rebate	271	271
Other	215	153
	$9,512	$11,308

The trade receivables are mostly due from the Province of Manitoba.

The insurance agency rebate is for discounts receivable by the Fleet Vehicles Agency from the Manitoba Public Insurance Corporation based on favourable claims experience for the Province's vehicle fleet in the previous insurance year.

4. Capital assets

			2002	2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Vehicles, fire engines	$66,287	29,439	36,848	$29,730
Equipment and furniture	8,950	5,258	3,692	3,370
Computer equipment and software	4,251	2,476	1,775	1,988
Buildings	7,867	2,376	5,491	5,698
Practical training site	1,901	380	1,521	1,602
Leasehold improvements	1,323	736	587	559
Other assets	1,814	864	950	1,030
	$92,393	41,529	50,864	$43,977

5. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of certain agencies prior to their designation as SOAs. It also includes severance pay benefits earned by SOA employees to March 31, 1998, as well as the benefits accumulated by the employees of the Manitoba Securities Commission prior to March 31, 1999. The balance is comprised of:

	2002	2001
Vacation entitlements	$1,766	$1,766
Severance pay benefits	3,336	3,336
	$5,102	$5,102

The timing of the collection of these receivables will vary for each SOA. The receivable or portion thereof, for an individual SOA will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of an SOA.

6. Working capital advances

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council 747/1992, 242/1994, 152/1995, 151/1996, 136/1997, 168/1998, and 129/2000, has arranged for working capital advances to be available to the Financing Authority. The aggregate of the outstanding advances is not to exceed $20,370 (2001 - $20,370) at any one time. As at March 31, 2002, $11,659 (2001 - $11,624) of these advances was unused and available.

Special Operating Agencies Financing Authority
Province of Manitoba
Notes to the Financial Statements

(In Thousands)
March 31, 2002

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7. Long-term debt - Province of Manitoba

		2002	2001
6%	repayable in semi-annual instalments of $469 principal and interest, maturing in 2002	$ -	$ 897
5.5%	repayable in semi-annual instalments of $289 principal and interest, maturing in 2002	282	822
5.875%	repayable in semi-annual instalments of $316 principal and interest, maturing in 2003	604	1,175
5.5%	repayable in semi-annual instalments of $232 principal and interest, maturing in 2004	866	1264
6%	repayable in semi-annual instalments of $141 principal and interest, maturing in 2004	523	762
9%	repayable in annual instalments of $55 principal and interest, maturing in 2005	141	180
6.875%	repayable in semi-annual instalments of $408 principal and interest, maturing in 2005	2,176	2,809
6.625%	repayable in semi-annual instalments of $167 principal and interest, maturing in 2005	1,027	1,280
5.75%	repayable in semi-annual instalments of $495 principal and interest, maturing in 2006	3,493	4,250
5.375%	repayable in semi-annual instalments of $121 principal and interest, maturing in 2006	957	-
4.75%	repayable in semi-annual instalments of $243 principal and interest, maturing in 2006	1,948	-
5.625%	repayable in semi-annual instalments of $174 principal and interest, maturing in 2007	1,500	-
6.425%	repayable in semi-annual instalments of $146 principal and interest, maturing in 2009	1,624	-
5.25%	repayable in semi-annual instalments of $159 principal and interest, maturing in 2009	1,955	-
5.625%	repayable in semi-annual instalments of $134 principal and interest, maturing in 2009	1,625	-
		18,721	13,439
Amount due within one year		4,799	4,327
		$ 13,922	$ 9,112

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7. Long-term debt - Province of Manitoba (continued)

Principal repayments in each of the next five years are as follows:

2003	$4,799
2004	4,148
2005	3,641
2006	2,810
2007	1,428

As at March 31, 2002, the Financing Authority had $3,400 remaining in loan authority under ***The Loan Act, 2001. The Loan Act, 2002*** is pending Legislative approval. The original loan authority under each of these Acts is:

	The Loan Act, 2002	***The Loan Act, 2001***
for Fleet Vehicles Agency	$9,650	$11,300
for Food Development Centre	3,800	-

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8. Pension liability

Employees of SOAs are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act, administered by the Civil Service Superannuation Board (CSSB).

Prior to April 1, 2001, only the Industrial Technology Centre and the Food Development Centre matched their employees' current contributions to CSSB and had no additional liability under the Act.

Effective March 31,2001, pursuant to an agreement with the Province of Manitoba, the remaining SOAs transferred to the Province the pension liability for their employees, subject to the following conditions: During the 2002 fiscal year, in accordance with the terms of the agreement, the SOAs transferred to the Province funds equal to the net assets required to discharge their pension obligation as at March 31, 2001. Commencing April 1, 2001, the SOAs are also required to pay to the Province an amount equal to their employees' current pension contributions.

Hence, as at March 31, 2002, all the SOAs have discharged their pension obligations and have no outstanding liability.

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9. Severance pay benefits

Effective April 1, 1998, SOAs began recording accumulated severance pay benefits for their employees. The estimate of the liability was based on the method of calculation set by the Province of Manitoba.

The Province accepted responsibility for the severance benefits accumulated by SOA employees to March 31, 1998, as well as for the benefits accumulated by employees of the Manitoba Securities Commission to March 31, 1999. Accordingly, the opening severance pay liability balances as at April 1, 1998 calculated at $3,511 and as at April 1, 1999 calculated at $135 were completely offset by a receivable from the Province.

An actuarial valuation report of the severance liability of SOAs as at March 31, 2000 was recently completed. The liability as at March 31, 2000 was restated to $3,676, and the receivable from the Province was restated to $3,336 as a result of the actuarial valuation. There was no effect on the severance benefit expense for the year ended March 31, 2000. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the actuarial liability of SOAs has been calculated to be $4,136 as at March 31, 2002.

10. Equity

	2002	2001
Contributed equity		
Fleet Vehicles Agency	$ 4,118	$ 4,118
Industrial Technology Centre	62	62
Mail Management Agency	51	51
Manitoba Text Book Bureau	549	549
Materials Distribution Agency	1,246	1,246
Office of the Fire Commissioner	11,279	11,279
Pineland Forest Nursery	356	356
	$17,661	$17,661

10. Equity (continued)

	2002	2001
Retained earnings		
Civil Legal Services	$ 605	$ 435
Companies Office	1,509	1,607
Fleet Vehicles Agency	12,469	10,644
Food Development Centre	45	(30)
Industrial Technology Centre	1,202	1,162
Land Management Services	875	973
Mail Management Agency	290	488
MERLIN	(394)	(350)
Manitoba Securities Commission	3,514	4,421
Manitoba Text Book Bureau	111	82
Materials Distribution Agency	3,951	3,847
Office of the Fire Commissioner	(1,003)	(710)
Organization and Staff Development	382	260
Pineland Forest Nursery	750	687
The Property Registry	3,933	3,219
The Public Trustee	873	915
Vital Statistics Agency	937	1,101
Financing Authority	3	5
	$30,052	$28,756

11. Reserve funds

The Public Trustee

The Public Trustee has allocated a reserve out of retained earnings to provide for short-term fluctuations in revenue due to changes in revenue patterns or extraordinary expenses. The balance of the reserve at March 31, 2002 is $500 (2001 - $500).

Manitoba Securities Commission

The Manitoba Securities Commission has allocated a reserve out of retained earnings to provide for extraordinary regulatory expenses and changes in market activity affecting revenue. The intent is to fund the reserve over four years to an accumulated balance of $1,000. The balance of the reserve at March 31, 2002 is $905 (2001 - $670).

12. Commitments

Commitments for SOAs with building lease agreements at March 31, 2002 total $5,592 (2001 - $5,088).

Other commitments entered into by SOAs are as follows:

Manitoba Text Book Bureau	Provision of warehousing and distribution services	$ 564
Office of the Fire Commissioner	Vehicle lease agreements	421
The Property Registry	Equipment lease agreements	350
		$1,335

13. Estates and trusts under administration

The Public Trustee has statutory responsibility for administering clients' estates and trusts. The client assets under administration at March 31, 2002 total approximately $163,000 (2001 - $159,000). The trust activities of The Public Trustee are reported in separate audited financial statements for Estates and Trusts under Administration

14. Public sector compensation

Pursuant to the disclosure required by ***The Public Sector Compensation Disclosure Act***, the Chairperson was the only employee of the Financing Authority who received compensation of $50 or more during the fiscal year ended March 31, 2002.

Name	Position	2002	2001
Wilkins, John	Chairperson	$78	$76

Compensation information for each SOA is disclosed in the notes to their audited financial statements.

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15. Financing instruments

The carrying amounts of the current assets and liabilities are reasonable estimates of their fair value because of the short-term maturity of these instruments.

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16. Subsequent Events

The Province is implementing a Better Systems Initiative (BSI) to facilitate single window access by businesses and the general public to government registry services and data bases. A number of modules for the BSI will be implemented in the Companies Office Agency, and the Property Registry.

The government has determined that the amortization costs, as well as the interest carrying costs related to the capital assets under the BSI, will be recovered from SOAs beginning in the 2002/03 fiscal year. This will affect the expenditures of the aforementioned SOAs.

The projected capital related costs are estimated at $3,086 in 2002/03.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Board of Governors of The University of Manitoba

We have audited the comparative statement of financial position of The University of Manitoba as at March 31, 2002 and the comparative statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these comparative financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2002 and the results of its operations and changes in fund balances and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
May 31, 2002

Jon W. Singleton, CA•CISA
Auditor General

FINANCIAL STATEMENTS

The University of Manitoba
Comparative Statement of Financial Position
as at March 31
(in thousands of dollars)

Assets	*2002*	*2001*
Current Assets		
Cash	$ 12,203	$ 18,444
Investments (Note 3)	81,479	71,183
Accounts Receivable:		
Council on Post-Secondary Education	2,964	3,992
General	22,139	23,190
Research and Special	22,750	21,229
Inventories	3,421	3,600
Prepaid Expenses	310	238
	145,266	141,876
Long Term Assets		
Investments (Note 3)	185,755	172,983
Funds on Deposit for Staff Benefits (Note 4)	31,665	31,242
Investment in Subsidiary Companies (Note 5)	93	90
Capital Assets, Net of Accumulated Amortization (Note 7)	303,536	269,924
	521,049	474,239
	$ 666,315	$ 616,115

Liabilities	*2002*	*2001*
Current Liabilities		
Accounts Payable	$ 28,052	$ 26,662
Unearned Revenue	3,962	2,613
Unfunded Staff Benefits	7,096	7,275
Current Portion of Capital Lease Obligations (Note 8)	223	356
Current Portion of Long Term Debt (Note 9)	305	287
	39,638	37,193
Long Term Liabilities		
Employee Future Benefits (Note 10)	55,086	52,280
Capital Lease Obligations (Note 8)	645	228
Term Loans (Note 9)	5,608	5,911
	61,339	58,419
Province of Manitoba Capital Advances, and Debentures Payable (Note 9)	4,665	7,261
Less: Sinking Fund Assets on Deposit with the Province of Manitoba for the Retirement of Debentures (Note 9)	4,490	6,852
	175	409
	61,514	58,828
Fund Balances	565,163	520,094
	$ 666,315	$ 616,115

Contingent Liabilities (Note 17)

APPROVED BY THE BOARD OF GOVERNORS

WR Anderson

Paul Soubry - Chair

Wayne Anderson - Vice-Chair

(The accompanying Notes form an integral part of the Financial Statements)

Comparative Statement of Operations and Changes in Fund Balances for the years ended March 31 (in thousands of dollars)

	General Funds (Note 2d)	*Restricted Funds (Note 2e)*	*Endowment Fund (Note 2f)*	*2002 Total Funds*	*2001 Total Funds*
Revenue:					
Tuition and Related Fees	$ 73,713	$	$	$ 73,713	$ 68,306
Contributions, Donations, Non-Government Grants	296	39,958	6,100	46,354	57,991
Investment Income	3,133	9,119	1	12,253	31,788
Miscellaneous Income	1,851	80		1,931	987
Government Grants:					
Council on Post-Secondary Education	194,254	11,515		205,769	194,871
Other Province of Manitoba	1,203	17,499		18,702	32,267
Government of Canada	568	45,675		46,243	48,170
Sales of Goods and Services	19,396			19,396	19,418
Ancillary Enterprises	25,591			25,591	24,714
	320,005	123,846	6,101	449,952	478,512
Expense:					
Academic	172,023	74,215		246,238	229,374
Libraries	10,723	21		10,744	10,198
Student Services	11,708	502		12,210	11,798
Administration	12,544	1,112		13,656	13,328
Plant Maintenance	27,028	22		27,050	26,541
Other Academic Support	16,816	444		17,260	15,523
General	6,590	3,572	22	10,184	9,975
Property Taxes	12,990			12,990	6,635
Scholarships, Bursaries, Prizes and Awards		7,946		7,946	6,987
Interest on Bank Loan, Debentures, Capital Advances and Capital Lease Obligations		1,085		1,085	1,258
Amortization of Capital Assets		22,471		22,471	21,093
Ancillary Enterprises	23,134			23,134	22,446
Staff Benefits & Early Retirement Provision	413	(498)		(85)	177
	293,969	110,892	22	404,883	375,333
Net Revenue	26,036	12,954	6,079	45,069	103,179
Inter-Fund Transfers	(13,332)	12,192	1,140		
Net Increase to Fund Balances	12,704	25,146	7,219	45,069	103,179
Fund Balances Beginning of the Year	(16,872)	470,588	66,378	520,094	416,915
Fund Balances End of the Year	$ (4,168)	$ 495,734	$ 73,597	$ 565,163	$ 520,094
Unrestricted Funds	$ (47,124)	$	$	$ (47,124)	$ (45,391)
Internally Restricted Funds	42,956	26,576		69,532	52,114
Externally Restricted Funds		160,938	73,597	234,535	225,357
Invested in Capital Assets		308,220		308,220	288,014
	$ (4,168)	$ 495,734	$ 73,597	$ 565,163	$ 520,094

(The accompanying Notes form an integral part of the Financial Statements)

Comparative Statement of Operations and Changes in Fund Balances for the General Funds
for the years ended March 31
(in thousands of dollars)

	General Operating Fund (Note 2d)	*Specific Provisions Fund (Note 2d)*	*Expenses Funded From Future Revenues (Note 2d)*	*2002 Total General Funds*	*2001 Total General Funds*
Revenue:					
Tuition and Related Fees	$ 73,713	$	$	$ 73,713	$ 68,306
Contributions, Donations, Non-Government Grants	296			296	108
Investment Income	3,133			3,133	3,187
Miscellaneous Income	1,851			1,851	924
Government Grants:					
Council on Post-Secondary Education	194,254			194,254	178,313
Other Province of Manitoba	1,203			1,203	6,176
Government of Canada	568			568	4
Sales of Goods and Services	19,396			19,396	19,418
Ancillary Enterprises	25,591			25,591	24,714
	320,005			320,005	301,150
Expense:					
Academic	172,023			172,023	162,300
Libraries	10,723			10,723	10,121
Student Services	11,708			11,708	11,308
Administration	12,544			12,544	11,577
Plant Maintenance	27,028			27,028	26,536
Other Academic Support	16,816			16,816	15,121
General	6,590			6,590	7,038
Property Taxes	12,990			12,990	6,635
Scholarships, Bursaries, Prizes and Awards					1,023
Ancillary Enterprises	23,134			23,134	22,446
Staff Benefits & Early Retirement Provision	413			413	687
	293,969			293,969	274,792
Net Revenue	26,036			26,036	26,358
Net Increase in Expenses to be Funded From Future Revenues	2,083		(2,083)		
Inter-Fund Transfers	(27,769)	14,437		(13,332)	(10,210)
Net Increase (Decrease) to Fund Balances	350	14,437	(2,083)	12,704	16,148
Fund Balances Beginning of the Year	605	28,519	(45,996)	(16,872)	(33,020)
Fund Balances End of the Year	$ 955	$ 42,956	$ (48,079)	$ (4,168)	$ (16,872)
Unrestricted Funds	$ 955	$	$ (48,079)	$ (47,124)	$ (45,391)
Internally Restricted Funds		42,956		42,956	28,519
	$ 955	$ 42,956	$ (48,079)	$ (4,168)	$ (16,872)

(The accompanying Notes form an integral part of the Financial Statements)

Comparative Statement of Operations and Changes in Fund Balances for the Restricted Funds

for the years ended March 31

(in thousands of dollars)

	Capital Asset Fund (Note 2e)	*Research and Special Fund (Note 2e)*	*Staff Benefits Fund (Note 2e)*	*Trust Fund (Note 2e)*	*2002 Total Restricted Funds*	*2001 Total Restricted Funds*
Revenue:						
Contributions, Donations, Non-Government Grants	$ 3,067	$ 32,402	$ 868	$ 3,621	$ 39,958	$ 42,830
Investment Income	204		2,215	6,700	9,119	28,601
Miscellaneous Income			55	25	80	63
Government Grants:						
Council on Post-Secondary Education	11,515				11,515	16,558
Other Province of Manitoba	3,072	14,427			17,499	26,091
Government of Canada	3,721	41,954			45,675	48,166
	21,579	88,783	3,138	10,346	123,846	162,309
Expense:						
Academic		74,215			74,215	67,074
Libraries		21			21	77
Student Services		502			502	490
Administration		1,112			1,112	1,751
Plant Maintenance		22			22	5
Other Academic Support		444			444	402
General			1,927	1,645	3,572	2,937
Scholarships, Bursaries, Prizes and Awards		4,638		3,308	7,946	5,964
Interest on Bank Loan, Debentures, Capital Advances and Capital Lease Obligations	1,085				1,085	1,258
Amortization of Capital Assets	22,471				22,471	21,093
Staff Benefits & Early Retirement Provision		(498)			(498)	(510)
	23,556	80,456	1,927	4,953	110,892	100,541
Net Revenue	(1,977)	8,327	1,211	5,393	12,954	61,768
Inter-Fund Transfers	22,183	(5,772)	(1,332)	(2,887)	12,192	7,791
Net Increase to Fund Balances	20,206	2,555	(121)	2,506	25,146	69,559
Fund Balances Beginning of the Year	288,014	53,675	17,683	111,216	470,588	401,029
Fund Balances End of the Year	$ 308,220	$ 56,230	$ 17,562	$ 113,722	$ 495,734	$ 470,588
Internally Restricted Funds	$	$	$ 5,517	$ 21,059	$ 26,576	$ 23,595
Externally Restricted Funds		56,230	12,045	92,663	160,938	158,979
Invested in Capital Assets	308,220				308,220	288,014
	$ 308,220	$ 56,230	$ 17,562	$ 113,722	$ 495,734	$ 470,588

(The accompanying Notes form an integral part of the Financial Statements)

Comparative Statement of Cash Flows

as at March 31

(in thousands of dollars)

	General Funds	*Restricted Funds*	*Endowment Fund*	*2002 Total Funds*	*2001 Total Funds*
Cash from Operating Activities:					
Excess of Revenue over Expense	$ 12,704	$ 25,146	$ 7,219	$ 45,069	$ 103,179
Amortization of Capital Assets		22,471		22,471	21,093
Income on Investment in Subsidiary Companies	(3)			(3)	
	12,701	47,617	7,219	67,537	124,272
Net Change in Non-Cash Working Capital Items	(3,519)	6,744		3,225	(4,057)
Net Change in Employee Future Benefits		2,806		2,806	3,154
Net Cash Generated through Operating Activities	9,182	57,167	7,219	73,568	123,369
Investing Activities:					
Increase in Long-Term Investments		(4,413)	(8,359)	(12,772)	(40,793)
(Increase) Decrease in Funds on Deposit for Staff Benefits		(423)		(423)	895
Purchase of Capital Assets		(56,083)		(56,083)	(41,880)
Net Cash Used in Investing Activities		(60,919)	(8,359)	(69,278)	(81,778)
Financing Activities:					
Proceeds from Capital Lease Obligations		559		559	457
Proceeds from Province of Manitoba Capital Advance					555
Principal Repayment on Capital Lease Obligations		(275)		(275)	(378)
Principal Repayment on Province on Manitoba Capital Advances		(2,438)		(2,438)	(2,230)
Principal Repayment on Debentures		(158)		(158)	(147)
Principal Repayment on Bank Loan		(285)		(285)	(792)
Net Cash Used in Financing Activities		(2,597)		(2,597)	(2,535)
Net Increase (Decrease) in Cash	9,182	(6,349)	(1,140)	1,693	39,056
Inter-Fund Adjustments	(13,332)	12,192	1,140		
Cash Beginning of Year	52,412	44,067		96,479	57,423
Cash End of Year	$ 48,262	$ 49,910	$	$ 98,172	$ 96,479
Cash is defined as:					
Cash	$ 11,902	$ 301	$	$ 12,203	$ 18,444
Investments	36,360	45,119		81,479	71,183
Sinking Fund Assets on Deposit with the Province of Manitoba		4,490		4,490	6,852
	$ 48,262	$ 49,910	$	$ 98,172	$ 96,479

(The accompanying Notes form an integral part of the Financial Statements)

NOTES TO THE FINANCIAL STATEMENTS

(in thousands of dollars)

1. AUTHORITY AND PURPOSE

The University of Manitoba was established in 1877. It is governed by a Board of Governors acting under the authority of The University of Manitoba Act, R.S.M. 1987, c. U60. The University of Manitoba is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act.

The University of Manitoba, as the largest and most comprehensive institution of higher learning in Manitoba, plays a distinctive role within the Province. In addition to offering an undergraduate liberal education in arts, science and education, the University of Manitoba provides programs in a broad range of professional studies, applied sciences and the fine and performing arts and is responsible for the vast majority of graduate education and research in Manitoba. Through its professional programs, the University of Manitoba fills a special niche in the educational and research needs of Manitoba. The University of Manitoba reaches out to a variety of constituencies in order to enhance the health, cultural, social and economic life of Manitobans and to provide lifelong learning opportunities for them. Through community service the University makes its expertise available to all Manitobans.

2. SIGNIFICANT ACCOUNTING POLICIES

a. General

These financial statements have been prepared in accordance with generally accepted accounting principles as recommended by the Canadian Institute of Chartered Accountants ("CICA") for not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

b. Fund Accounting

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Comparative Statement of Financial Position combines the assets and liabilities of all Funds.

The University maintains its Funds under three fund categories, General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues. The Restricted Funds include the Capital Asset, Research & Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowment funds of the University.

c. Accounting Estimates

Accounting estimates are included in financial statements to approximate the effect of past revenue or expense transactions or events, or to approximate the present status of an asset or liability. Examples include accruals for property taxes not yet assessed and the estimated useful life of an asset. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

d. General Funds

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, investment and miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services such as the telephone system in the units' expenses and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University Book Store, Parking, Student Residences and Pharmacy/Post Office are classified as Ancillary Enterprises and are budgeted on a break-even basis Any surpluses or deficits are unrestricted and are maintained within the General Operating Fund. Overhead costs have been allocated to all ancillary operations. The replacement or improvement of capital assets for these ancillaries is funded by an annual appropriation to the Specific Provisions Fund. Amortization of ancillary capital assets, and interest expense on the University Parkade is recorded in the Capital Asset Fund.

Academic and administrative units also generate revenues through the sale of goods and services to individuals, companies and organizations external to the University. The revenues earned are unrestricted resources and are reflected in the General Operating Fund.

(in thousands of dollars)

Specific Provisions Fund:
The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research & Special Funds.

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, or other matters, including a fiscal stabilization provision to offset potential spending in excess of future budgets and an early retirement incentive provision. Such appropriations are shown as inter-fund transfers on the Comparative Statement of Operations and Changes in Fund Balances.

Expenses Funded From Future Revenues:
Expenses Funded from Future Revenues records the amount of unpaid vacation pay for permanent non-academic staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits.

e. Restricted Funds

Capital Asset Fund:
The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets, sinking fund investment income and government grants, restricted for the purpose of acquiring capital assets and retiring capital advances and debentures. Expenses include interest on debt relating to the acquisition of capital assets, amortization and gains or losses on disposal of capital assets including write downs resulting from obsolescence.

Research and Special Fund:
The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Contributions are provided from both federal and provincial granting agencies and other public and private sources. These funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.

Staff Benefits Fund:
Surplus funds of the Staff Benefits Fund are invested by and held in the custody of The Great-West Life Assurance Company. The Staff Benefits Fund is divided into Fund Accounts for Pension Reserve, Self-Insured Plans and Benefit Reserve, the revenues of which are restricted for the purposes noted.

(i) Pension Reserve:
This Fund Account is restricted for special payments towards any unfunded liability of The University of Manitoba Pension Plans (1970) and (1993) and other pension obligations.

The Pension Reserve balance at March 31, 2002 is $4,739 (2001, $4,478).

(ii) Self-Insured Plans:
This Fund Account records the assets and liabilities for two self-insured benefit plans, the Long-Term Disability Income Plan and the Dental Plan. The Long Term Disability Income Plan is used for long term disability payments arising on and after June 1, 1981 for eligible staff. The Plan contains two funds, one for the payment of Basic Benefits and another for the payment of Cost-of-Living Benefits. The Long-Term Disability Plan balance as at March 31, 2002 is $4,854 (2001, $4,986).

The Dental Plan is administered by Manitoba Blue Cross. Surplus funds are held for the purpose of covering deficits which may occur in this self-insured plan. The Dental Plan balance as at March 31, 2002 is $239 (2001, $172).

(iii) Benefit Reserve:
This Fund Account is used for the support of current and future staff benefit programs. Experience refunds from The Great-West Life Assurance Company related to the group insurance plans are credited to this Fund Account. Employment Insurance Commission premium savings resulting from the extended sick leave coverage provided by the University are also credited to this Fund Account.

The Benefit Reserve balance at March 31, 2002 is $7,598 (2001, $8,047).

Trust Fund
The Trust Fund records gifts and bequests received which may be used in their entirety along with net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for scholarships, bursaries, awards, loans, and other scholarly activities

f. Endowment Fund

The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and the income earned be utilized for designated purposes. In certain cases, the donor requires that a portion of the current investment income also be capitalized. As such, these funds are added to the capital account of the endowment.

g. Revenue Recognition

Restricted contributions relating to general operations are recognized as revenue of the General Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate fund.

Unrestricted contributions, including sales of goods and services and ancillary revenues, are recognized as revenue of the General Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Investment income earned on surplus funds, with the exception of trust and endowment funds, is recorded as unrestricted income in the General Operating Fund.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. Investment income earned on endowments is recorded in the appropriate fund depending on the restrictions imposed by the original donor.

h. Contributed Materials and Services

Gifts-in-kind for materials other than capital assets are recorded in the financial statements to the extent that they are eligible for an official donation receipt, since this results in the capture of the information in the University's financial records.

Because of the difficulty involved in tracking and recording contributed services, however, the market value of these services are not recognized in the financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fund-raising or sporting events all of which are performed by staff, students and the community at no charge to the University. These services, although not recognized in the financial statements, are critical to the successful functioning of the University.

i. Investments

Surplus cash is invested in the short term money market when management considers it practical to do so. Income is recognized on the accrual basis.

Trust and endowment funds are invested in either the University Investment Trust ("UIT") or the Specific Trusts. The UIT is pooled for investment purposes. Within the UIT individual capital accounts are unitized, in order to improve the protection of the real value of capital balances against inflation and to facilitate the equitable distribution of income based on the number of units. A new market value per unit is determined monthly. Capital contributions and withdrawals are based on the current market value per unit. The Specific Trust funds are not pooled, but are invested individually according to the wishes of the donor.

Trust and endowment funds, where no specific investment provisions exist, are invested in fixed income securities and in the equity markets. These investments are professionally managed and held in the custody of an independent company. Income, including realized gains and losses, is recognized on the accrual basis. Where specific investment provisions exist, funds are generally invested in fixed-income securities and income is recognized on the accrual basis.

Staff benefits funds are invested in pooled funds in the fixed income securities and equity markets. These investments are professionally managed and held in the custody of an independent company. Income, including realized gains and losses, is recognized on the accrual basis, net of administrative costs.

All investments are carried at the lower of cost and fair value. Gains and losses are recognized in the year of disposal.

j. Pledges Receivable

The University does not record pledges receivable in its financial statements. Revenue from gifts, bequests and donations is recognized on a cash basis because of the uncertainty surrounding collection and in some instances because of the difficulty in determining the valuation of pledges receivable. The University recognizes gifts and donations to be received through the University of Manitoba Foundation U.S.A. Inc. only when the Board of Directors of the Foundation have formalized the transfer with a resolution, collectibility is reasonably assured and the valuation of these gifts and donations can be reasonably determined.

(in thousands of dollars)

k. **Inventories**

Inventories have been valued at the lower of cost and replacement cost.

l. **Capital Assets**

Purchased capital assets are recorded at cost. Capital assets which are constructed by the University are recorded as Construction in Progress until the capital asset is put into use. Contributed capital assets are recorded at market value at the date of contribution. Intangibles such as patents and copyrights are recorded at a nominal amount of one dollar in the year the patent or copyright is obtained.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows:

Buildings	25-50 years
Computers & Electronics	5 years
Library Books	10 years
Other Furniture & Equipment	10 years
Parking Lots	20 years
Vehicles	5 years

Equipment acquired under a capital lease is amortized over the term of the lease. Works of art, treasures, rare books and manuscripts are not amortized. Capital assets acquired or constructed and put into use during the fiscal year are amortized at one-half of the applicable rate.

m. **Collections**

The University holds a number of collections which have been donated to its libraries, faculties and schools over the years. The library, faculty or school receiving the donation assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections and therefore does not have a formal policy with respect to the use of proceeds of disposal. However, the University abides by all restrictions placed by donors at the time a donation is received, which may include restrictions imposed relating to the sale of a collection or items contained therein.

The University's policy with regard to its collections is to fund maintenance expenses from the General Operating Fund, if monies are not available for such purposes in a Restricted Fund. The cost of maintenance is not tracked and is therefore not determinable.

n. **Pension Costs**

The cost of pension benefits earned by employees who are members of the University of Manitoba Pension Plan (1970) and the University of Manitoba Pension Plan (1993) is determined actuarially using the projected unit credit actuarial cost method and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Pension costs for The University of Manitoba GFT Pension Plan (1986) are based on the contributions required of the University by that Plan.

o. **Financial Instruments**

The financial instruments at the University consist of cash, short term investments, accounts receivable, long term investments, accounts payable and long term debt. Unless otherwise noted, it is management's opinion that the University is not exposed to significant interest, currency, market or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, unless otherwise disclosed.

p. **Employee Future Benefits**

The University accrues its obligations for employee future benefit plans relating to health, dental, long term disability and group life insurance. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

(in thousands of dollars)

3. INVESTMENTS

The fair values and book values of investments as at March 31 are:

	2002 Fair Value	2002 Book Value	2001 Book Value
General, Research & Capital			
Savings Certificates & Term Deposits	$ 81,479	$ 81,479	$ 71,183
Trust & Endowment			
Bonds and Debentures:			
Government of Canada	$ 19,602	$ 20,165	$ 21,420
Province of Manitoba	869	877	719
Other Provincial	6,398	6,536	6,894
Municipal	2,520	2,575	2,794
Corporate	20,421	20,093	17,543
Other	2,897	2,848	4,705
	52,707	53,094	54,075
Canadian Equities	57,162	50,921	44,592
US Equities	35,105	33,628	11,328
International Equities	33,781	35,626	11,328
Savings Certificates, Term Deposits and Treasury Bills	12,486	12,486	51,660
	$ 191,241	$ 185,755	$ 172,983

4. FUNDS ON DEPOSIT FOR STAFF BENEFITS

The fair value and book value of investments held for Staff Benefits as at March 31 are:

	2002 Fair Value	2002 Book Value	2001 Book Value
Bonds	$ 11,425	$ 10,993	$ 22,077
Equities	18,015	16,993	3,913
Real Estate	-	-	4,771
Mortgage Fund	3,263	3,246	-
Savings Certificates, Term Deposits and Treasury Bills	433	433	481
	$ 33,136	$ 31,665	$ 31,242
Held For:			
Pension Reserve	$ 8,040	$ 7,700	$ 7,601
Self Insured Plans	17,119	16,367	15,594
Benefit Reserve	7,977	7,598	8,047
	$ 33,136	$ 31,665	$ 31,242

5. INVESTMENT IN SUBSIDIARY COMPANIES

Smart Park Development Corporation is a wholly owned subsidiary of the University. The company has a March 31 year end and its purpose is to market and promote the development of a research park at the University of Manitoba.

University of Manitoba Research Ltd., incorporated under the Manitoba Corporations Act, is a wholly-owned subsidiary of the University. University of Manitoba Research and Development Corporation is a wholly-owned subsidiary of University of Manitoba Research Ltd. Both subsidiary companies have a March 31 year end and were inactive during the 2001/02 fiscal year. The consolidated net income (loss) of University of Manitoba Research Ltd. is recorded in the General Operating Fund in the Comparative Statement of Operations and Changes in Fund Balances.

Small Business Law Clinic (MB) Inc. is a wholly-owned not-for-profit corporation without share capital. The purpose of the corporation is to operate a clinic, whereby students from the Faculty of Law may develop skills that are prerequisite to a successful solicitor-client relationship and in the process, assist community-based entrepreneurs and small business owners by dispensing legal information at a nominal cost. The company is exempt from income taxes under Section 149 of the Income Tax Act.

6. ECONOMIC INTEREST IN RELATED ENTITIES

a. The University of Manitoba Foundation U.S.A. Inc.

The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. ("the Foundation") which is an Illinois Not-For-Profit Corporation incorporated in December 1989. The Foundation's purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere. The Foundation is exempt from U.S.A. Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code

(in thousands of dollars)

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation's actions. Members on the Board include, among others, certain senior staff of the University of Manitoba. The University of Manitoba, however, is one of many universities eligible to receive aid from the Foundation. The University must make application to the Foundation's Board of Directors to request funds, which may or may not be granted. The University's economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University of Manitoba from time to time.

b. Biovar Life Support Inc.

The University has a 25% interest in Biovar Life Support Inc. ("Biovar") which is a profit-oriented company. Biovar has a June 30 year end. The University accounts for its investment in Biovar utilizing the cost method as it does not have significant influence in the management and/or direction of the company.

7. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 9,800	$ -	$ 9,800	$ 3,708
Buildings	293,736	88,513	205,223	174,365
Construction in Progress	3,656	-	3,656	19,820
Library Books	92,421	66,197	26,224	23,941
Rare Books and Manuscripts	3,554	-	3,554	3,467
Works of Art	784	-	784	538
Computers & Electronics	81,438	63,683	17,755	16,504
Other Furniture & Equipment	94,668	61,347	33,321	25,660
Vehicles	5,208	3,900	1,308	1,142
Parking Lots	1,239	66	1,173	345
Assets Under Capital Lease	3,651	2,913	738	434
	$ 590,155	$ 286,619	$ 303,536	$ 269,924

8. CAPITAL LEASE OBLIGATIONS

Minimum lease payments which includes principal and interest under the capital lease obligations are as follows:

2003	$ 267
2004	276
2005	171
2006	178
2007	85
Total Minimum Lease Payments	977
Less: Interest at 6.4%	(109)
	868
Less: Current Portion	223
	$ 645

9. LONG TERM DEBT

	2002	2001
Term Loans		
University Parkade, 6.51%, due July 30,2004	$ 3,718	$ 3,829
University Parkade, Prime less .75%, due August 1, 2019	908	960
Helen Glass Centre for Nursing, 6.75%, due November 1, 2004	1,287	1,409
	5,913	6,198
Less : Current Portion	(305)	(287)
	$ 5,608	$ 5,911

(in thousands of dollars)

	2002	2001
Capital Advances-payable to the Province of Manitoba:		
Urgent Projects:		
5 7/8% due May 20, 2007	$ 482	$ 482
7 1/8% due July 27, 2008	706	706
6 7/8% due December 15, 2009	257	257
6 7/8% due March 31, 2011	555	555
Utility Service Tunnel - 9.3335% due March 31, 2002-2003	2,665	5,103
	4,665	7,103
Debenture payable-principal and interest guaranteed by the Province of Manitoba: 7 1/2% series 1R due April 15, 2002	-	158
	4,665	7,261
Less: Sinking Fund Assets on Deposit with the Province of Manitoba	(4,490)	(6,852)
	$ 175	$ 409

The fair value of Sinking Fund Assets at March 31, 2002 is $4,416.

Principal repayments on long term debt payable over the next five years are as follows:

	Term Loans	Capital Advances/ Debentures	Total
2003	$ 305	$ 2,665	$ 2,970
2004	317	-	317
2005	4,540	-	4,540
2006	52	-	52
2007	52	482	534
Thereafter	647	1,518	2,165
	$ 5,913	$ 4,665	$ 10,578

10. EMPLOYEE FUTURE BENEFITS

The University of Manitoba provides certain health, dental, and group life benefits for its retired employees and long term disability benefits for current employees.

The current year benefit expense for existing and future retirees of the University is $5,035 (2001,$4,554).

The accrued benefit obligation relating to these defined benefit plans is $55,086 as at March 31, 2002 (2001, $52,280). The plan assets relating to these defined benefit plans is $18,848 as at March 31, 2002 (2001, $18,403). The type of assets held are disclosed in note 4.

In the current year, expected claims for extended health and dental benefits were based on the actual rates in effect as of April 1, 2001. Claims cost for extended health benefits were assumed to increase at an annual rate of 8% for the next 9 years and at a rate of 5% thereafter. Claims cost for dental benefits were assumed to increase at an annual rate of 6% for the next 4 years and at an annual rate of 4% thereafter. Group life benefits is expected to increase at a rate of 2.5% per annum. Further, in measuring the University's accrued benefit obligation, the actuary assumed a discount rate of 6.75%.

Other information about the University's defined benefit plan is as follows:

Employer contribution	$ 2,642
Employees' contributions	$ 811
Benefits Paid	$ 3,784
Expected return on plan assets	6.75%

(in thousands of dollars)

11. INTER-FUND ADVANCES AND LOANS

Inter-Fund advances and loans at March 31 are as follows:

	2002	2001
General Operating Fund:		
Due from (to) Trust	$ 954	$ (2,338)
Due from (to) Capital Asset	4,168	(20,610)
	$ 5,122	$ (22,948)
Capital Asset Fund:		
Due from (to) Operating	$ (4,168)	$ 20,610
Trust Fund:		
Due from (to) Operating	$ (954)	$ 2,338

12. INTER-FUND TRANSFERS

Inter-fund transfers from the General Operating Fund include $16,039 (2001, $13,311) of transfers to the Capital Asset Fund to cover the purchase of capital assets and debt servicing costs and $11,269 (2001, $11,856) of transfers to the Specific Provisions Fund to provide future funding for the replacement, improvement or emergency maintenance of capital assets, and for the early retirement incentive plan. The University's policy is to allow certain academic and administrative units who underspend their budgets in one year to carry over this amount for future years expenditures. As a result, inter-fund transfers also include $1,400 (2001,$2,940) to the Specific Provisions Fund to fund this carry over.

Inter-fund transfers from the Trust Fund include $1,095 (2001, $3,909) of transfers to the Research and Special Fund to cover eligible costs of research and special activities.

Inter-fund transfers from the Research and Special Fund include $498 (2001, $510) of transfers to the Specific Provisions Fund to cover the cost of future early retirements, $4,697 (2001, $5,295) of transfers to the Capital Asset Fund to cover the purchase of capital assets and $1,699 (2001, $1,221) of transfers to the General Operating Fund to cover overhead costs incurred by general operations on research and non-research contracts.

Inter-fund transfers from the Specific Provisions Fund include $901 (2001, $778) of transfers to the Capital Asset Fund to cover the purchase of capital assets.

13. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed capital equipment, a building and library books of $862 (2001, $438).

14. PENSION PLANS

The University of Manitoba administers the University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986) and The University of Manitoba Pension Plan (1993). These are trusteed pension plans. The Trustees are responsible for the custody of the Plans' assets and issuance of annual financial statements, which do not form part of the University's financial statements.

The University of Manitoba Pension Plan (1970) and University of Manitoba Pension Plan (1993) are both money purchase plans with a defined benefit minimum. The funding for the plans requires a matching contribution from the University and the employees. The surplus from the Plans and the matching contribution is adequate to fund the Plan and the current level of funding satisfies the requirements of the Manitoba Pensions Benefit Act.

The actuarial present value of accrued pension benefits has been determined using the projected unit credit actuarial cost method, and assumptions developed by reference to expected long-term market conditions. An actuarial valuation effective December 31, 1999 was completed in 2000 by Eckler Partners Ltd., a firm of consulting actuaries. The results of this valuation have been extrapolated by Eckler Partners Ltd to December 31, 2001. As at December 31, 2001, the University of Manitoba Pension Plan (1970) and The University of Manitoba Pension Plan (1993) were in an actuarial surplus of $1,223 (2000, $1,065) and $22,617 (2000, $21,159), respectively. The University cannot access this surplus and as a result, no asset has been recorded.

(in thousands of dollars)

The actuarial present value of benefits as at December 31 and the principal components of changes in actuarial present values during the year, were as follows:

	2001		2000	
	1993 Plan	1970 Plan	1993 Plan	1970 Plan
Actuarial present value of accrued pension benefits at beginning of year	$ 623,175	$ 13,612	$ 567,902	$ 12,822
Interest accrued on benefits	55,564	1,191	71,223	1,581
Benefits accrued	20,313	1,118	19,478	909
Benefits paid	(33,277)	(1,915)	(35,428)	(1,700)
Actuarial present value of accrued pension benefits at end of year	$ 665,775	$ 14,006	$ 623,175	$ 13,612

The significant long-term assumptions used in the valuation of the accrued pension benefits were a rate of return on assets of 7% per annum, a general rate of salary increase of 2.5% for the first three years and 5% thereafter, and a 6% interest assumption on the basis for converting member accumulations into annuities. However in preparing the extrapolation the investment return used for 2001 was 9.01%, being the rates of return for those years based on the actuarial asset values.

The actuarial value of net assets available for benefits, has been determined using a five year moving average fair value method. Under this method, the fair value is the underlying basis, but capital gains and losses are amortized over a five year period.

The fair and actuarial values of net assets available for benefits as at December 31 were as follows:

	2000		2001	
	1993 Plan	1993 Plan	1993 Plan	1970 Plan
Fair value of net assets available for benefits	$ 737,431	$ 16,314	$ 748,616	$ 17,052
Fair value changes not reflected in the actuarial value of net assets	(49,039)	(1,085)	(104,282)	(2,375)
Actuarial value of net assets available for benefits	$ 688,392	$ 15,229	$ 644,334	$ 14,677

The University recognized expenses equal to its contributions of $10,112 (2001, $9,538) for the 1970 Plan and for the 1993 Plan for the year ended March 31, 2002. Employee contributions matched the employer contributions.

The next full actuarial valuation of the Plans will be effective December 31, 2001 and will be completed in 2002.

The University of Manitoba GFT Pension Plan (1986) is a defined contribution pension plan, therefore, there is no requirement for an actuarial valuation of this Plan. The University's contributions to this Plan were $1,530 in 2002 (2001 $1,414).

The University approved amendments to the University of Manitoba Pension Plan (1993) to comply with the requirements of Canada Customs Revenue Agency (CCRA) in January 2001. It is anticipated that CCRA will confirm that this Plan has obtained registered status in 2002.

15. CANADIAN UNIVERSITIES RECIPROCAL INSURANCE EXCHANGE

The University of Manitoba is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year.

16. COMMITMENTS

Contractual commitments relating to construction in progress amount to $7,427 (2001, $3,743).

17. CONTINGENT LIABILITIES

On March 31, 1997, the University of Manitoba entered into an energy performance contract with MCW Energy Reduction Services Ltd ("MCW"). Under the terms of a tri-party agreement, the University has agreed to the assignment by MCW to Paribas of all right, title and interest in payment of monies by the University under the energy performance contract. This agreement provides remedies to the University and Paribas in the event that MCW defaults on its obligations under the energy performance contract or receivable sale agreement. The University is contingently liable obligations under the energy performance contract or receivable sale agreement. The University is contingently liable for any termination value owing to Paribas existing at the time of default by MCW. The amount of the potential liability, if any, cannot be estimated at this time.

The University of Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings can not be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the University. No provision has been made in the financial statements in respect of these claims, as of March 31, 2002.

18. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2001 have been restated, where appropriate, to conform with the presentation adopted for March 31, 2002.

Scarrow & Donald

SCARROW & DONALD
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May 17, 2002

AUDITORS' REPORT

To the Directors of
Venture Manitoba Tours Ltd.:

We have audited the balance sheet of Venture Manitoba Tours Ltd. as at March 31, 2002 and the statements of operations and deficit and cash flow for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2002 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Scarrow & Donald

Chartered Accountants

VENTURE MANITOBA TOURS LTD.

BALANCE SHEET

	March 31	
	2002	2001
ASSETS		
Current assets:		
Accounts receivable	$ 94,570	$ 120,864
Inventories	154,983	173,031
Prepaid expenses	61,252	34,789
	310,805	328,684
Fixed assets (Note 2)	5,774,022	4,527,482
	$ 6,084,827	$ 4,856,166
LIABILITIES AND SHAREHOLDER'S DEFICIT		
Current liabilities:		
Cheques issued in excess of funds on deposit	$ 89,632	$ 26,418
Bank loan (Note 3)	5,855,000	4,965,000
Accounts payable and accrued liabilities	904,120	568,967
Advance deposits	130,551	173,650
Current portion of long-term debt	11,254	-
Current portion of capital lease obligation	187,357	140,901
Advances from the Province of Manitoba, repayable on demand	250,000	250,000
	7,427,914	6,124,936
Long-term debt (Note 6)	30,510	-
Long-term capital lease obligation (Note 7)	632,750	155,579
	8,091,174	6,280,515
Going concern considerations (Note 1)		
Shareholder's deficit:		
Share capital-		
Authorized-		
Unlimited number of common shares		
Issued-		
3,643,500 common shares	3,643,500	3,643,500
Contributed surplus	257,910	257,910
Deficit	(5,907,757)	(5,325,759)
	(2,006,347)	(1,424,349)
	$ 6,084,827	$ 4,856,166

VENTURE MANITOBA TOURS LTD.

STATEMENT OF OPERATIONS AND DEFICIT

	Year ended March 31 2002	 2001
Revenue	$ 4,577,662	$ 4,268,242
Cost of sales	3,051,359	2,715,903
Gross profit	1,526,303	1,552,339
Operating expenses	1,304,679	1,202,749
	221,624	349,590
Depreciation	560,587	585,351
Interest expense:		
Current	263,813	347,579
Long term	13,765	22,476
Net income before other income	(616,541)	(605,816)
Other income:		
Gain on disposal of fixed assets	34,543	15,920
Net loss	(581,998)	(589,896)
Deficit, beginning of year	(5,325,759)	(4,735,863)
Deficit, end of year	$(5,907,757)	$(5,325,759)

VENTURE MANITOBA TOURS LTD.

STATEMENT OF CASH FLOW

	Year ended March 31 2002	 2001
Cash provided by (used in):		
Operating activities-		
Cash receipts from customers	$ 4,603,956	$ 4,260,960
Cash paid to suppliers and employees	(4,221,103)	(3,777,747)
Interest paid	(277,578)	(370,055)
	105,275	113,158
Investing activities-		
Purchase of fixed assets	(1,026,408)	(211,676)
Proceeds on disposition of fixed assets	67,112	9,920
	(959,296)	(201,756)
Financing activities-		
Bank loan	890,000	220,000
Capital lease obligation	(140,957)	(132,057)
Issuance of long-term debt	45,493	-
Repayment of long-term debt	(3,729)	-
	790,807	87,943
Change in cash	(63,214)	(655)
Cash, beginning of year	(26,418)	(25,763)
Cash, end of year	$ (89,632)	$ (26,418)

VENTURE MANITOBA TOURS LTD.

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2002

1. Organization, Going Concern Considerations and Significant Accounting Policies:

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. An assumption underlying the preparations of financial statements in accordance with generally accepted accounting principles is that the entity will continue for the foreseeable future and will be able to realize its assets and discharge liabilities in the normal course of operations.

a) Organization-

The Company is incorporated under the Manitoba Corporations Act. The issued shares are owned by the Province of Manitoba.

The Province of Manitoba owns Hecla Golf Course and the Gull Harbour Resort and Conference Centre. The Company operates these facilities under lease agreements with the Province. These facilities are situated in the Hecla Provincial Park and are not subject to realty taxes.

The Province of Manitoba also owns the Falcon Lake Golf Course and Games area. The Company operates this facility under an agreement with the Province of Manitoba. The Company is responsible for the operating costs of the golf course and games area and, in return, will realize the revenue generated by their operations. These facilities are situated in the Whiteshell Provincial Park and are not subject to realty taxes.

b) Going Concern Considerations-

These financial statements have been prepared using the assumption that the Company will continue operating as a going concern. As the Company has incurred substantial losses resulting in significant deficit and working capital deficiency, the ability of the Company to continue operating as a going concern is dependent on continued financial support from the Province of Manitoba. Should the Province not continue to provide financial support, the Company may not be able to continue operating as a going concern and the net realizable value of the assets may be substantially less than their carrying values.

c) Accounting Estimates-

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. Examples include the allowance for doubtful accounts, loss provisions and the estimated useful life of an asset. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in the period in which it became known.

d) Financial instruments-

Except for long-term debt, management has estimated that the fair value of all financial instruments approximates their cost because of the short maturity of those instruments. The carrying amount of long-term debt approximates fair value because interest rates are close to market rates. Fair value is an estimate of the amount at which items might be exchanged in an arm's length transaction between knowledgeable willing parties who are under no compulsion to act. Fair value should not be interpreted as an amount that could be realized in immediate settlement of the instruments. Fair value is estimated based on market information available to the Company. If such information is not available, fair value is estimated using assumptions about the amount and timing of future cash flows and using discount rates that reflect credit risk. The estimate of fair value at year-end may not represent fair values at any other date. The assumptions and methods used significantly affect fair value. The determination of fair value is also affected by the use of judgement and by uncertainty. Changes in the interest rate environment and investment risk in one or more of the markets in which the underlying loan security is located may result in significant changes in fair values and are among the primary causes of changes in value.

1. **Organization, going concern considerations and significant accounting policies** (cont'd):

e) Inventories-

Inventories are valued at the lower of cost (based on the first-in, first-out method) and net realizable value.

f) Fixed assets-

Fixed assets are recorded at cost and depreciated over their estimated useful lives. This requires estimation of the useful life of the asset and its salvage and residual value. At the end of each accounting period management considers whether there has been a permanent impairment in the value of fixed assets, by estimating the net recoverable amount of the undepreciated portion. As is true for all accounting estimates, it is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in the period in which it became known.

The fixed assets are recorded at cost less applied grant funds and accumulated depreciation. Depreciation is being provided for by the straight-line method over the following estimated useful lives:

Building additions	40 years
Leasehold improvements	5 to 40 years
Furniture and fixtures	10 years
Staff quarters	10 to 25 years
Parking lot	25 years
Computer equipment	3-1/3 years
Vehicles	3-1/3 years
Equipment under capital lease	5-1/2 years

These financial statements do not include the fixed assets of the Hecla Golf Course, Falcon Lake Golf Course and Games Area and part of the Gull Harbour Resort and Conference Center which are owned by Province of Manitoba.

g) Non-monetary transactions-

Non-monetary exchanges of services are recorded at the fair market value of the services provided or received.

2. **Capital assets**:

	March 31			
	2002		2001	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Building additions	$ 1,897,886	$ 788,857	$ 1,897,886	$ 741,410
Leasehold improvements	1,695,880	513,524	1,639,294	471,106
Furniture and fixtures	1,818,999	1,548,663	1,700,444	1,415,768
Staff quarters	640,927	238,791	640,927	213,154
Parking lot	362,687	87,711	362,687	73,203
Golf Course improvements	794,107	71,794	751,881	51,453
Computer equipment	197,185	186,861	188,187	177,051
Vehicles	1,115,429	811,716	969,721	788,869
Equipment under capital lease	893,457	62,124	686,102	377,633
Construction in process	667,506	-	-	-
	$10,084,063	$ 4,310,041	$ 8,837,129	$ 4,309,647
Net book value	$5,774,022		$4,527,482	

3. Bank loan:

The bank loan is due on demand, accrues interest at the prime rate and is guaranteed by the Province of Manitoba to a maximum of $7,190,000 (2001 - $6,203,000).

4. Lease obligations:

a) The Company operates the Gull Harbour Resort and Conference Centre, the Hecla Golf Course, and the Falcon Lake Golf Course and Games Area under lease agreements with the Province of Manitoba. During the year lease payments of $133,643 (2001 - $147,364) were due to the Province. At year end, accounts payable include $353,800 (2001 - $296,152) relating to the lease agreement with the Province. The current lease has expired, management's intention is to renegotiate the lease.

b) The Company rents space and equipment under various operating leases which expire through 2005. The future minimum lease payments under these operating leases for the remaining lease terms are as follows.

2003	$ 21,328
2004	11,707
2005	1,156
	$ 34,191

5. Government reporting entity - related parties:

The following information is presented in accordance with a request by the Minister of Finance of The Government of the Province of Manitoba.

During fiscal 2002, the Company transacted with the following three entities in the Government Reporting Entity above the specified level of $100,000. Payments of $143,495 and $131,309 were made to Manitoba Hydro for 2002 and 2001 respectively. Payments of $150,431 and $163,685 were made to the Manitoba Liquor Control Commission in 2002 and 2001 respectively. Lease payments of $133,643 and $147,364 were made to Manitoba Natural Resources in 2002 and 2001 respectively. Revenues included $159,868 and $90,972 from Manitoba Hydro for 2002 and 2001 respectively.

As at March 31, 2002 and 2001, the Company had amounts receivable from and payable to entities in the Government Reporting Entity as follows:

	2002	2001
Receivable from:		
Manitoba Hydro	$ -	$ 225
Department of Natural Resources	-	147
	$ -	$ 372
Payable to:		
Manitoba Hydro	$ 19,427	$ 178
Department of Natural Resources	353,800	296,152
Department of Finance - Insurance and Risk Management	11,770	8,000
Department of Finance - Provincial Sales Tax	9,476	12,209
Manitoba Government Services - construction contract	148,704	-
	$ 543,177	$ 316,539
Prepaid expenses:		
Manitoba Government Services - construction contract	$ 41,341	$ -

6. Long-term debt:

Loan payable, GMAC, repayable in monthly instalments of $965, including interest at 0.9%, due November, 2005.	$ 41,764	$ 41,764
Less: Current portion	(11,254)	(11,254)
	$ (11,254)	$ (11,254)

7. Future minimum lease payments under capital leases:

The Company has obligations under various capital leases for golf carts, golf course equipment, telephone equipment and a photocopier, which expire through 2003.

2003	$ 212,121
2004	175,399
2005	167,490
2006	167,490
2007	167,490
	889,990
Amount representing interest	(69,883)
Balance of obligation	$ 820,107

8. Commitment:

At March 31, 2002, $667,506 of work has been completed on a $1,200,000 renovation project. The balance of the project will be completed in the subsequent year.

PRICEWATERHOUSECOOPERS

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May 24, 2002

Auditors' Report

To the Membership of
Winnipeg Child And Family Services

We have audited the balance sheet of **Winnipeg Child And Family Services** (the Agency) as at March 31, 2002 and the statements of revenue, expenses and fund balance - Operating Fund; revenue, expenses and fund balance - Family Support Innovations Fund; revenue, expenses and fund balance - Other Funds; and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Winnipeg Child and Family Services as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with the accounting policies described in note 2 to the financial statements.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and other members of the worldwide PricewaterhouseCoopers organization.

Winnipeg Child And Family Services

Balance Sheet

As at March 31, 2002

	2002 $	2001 $
Assets		
Current		
Cash (note 6)	2,508,648	-
Accounts receivable		
Province of Manitoba	2,874,463	6,126,500
Other	296,318	444,661
Pre-paid expenses	66,490	151,190
	5,745,919	6,722,351
Investment - GIC, at cost	215,810	99,512
Capital assets (note 5)	1,556,996	1,825,696
	7,518,725	8,647,559
Liabilities		
Current		
Bank indebtedness (note 6)	-	968,650
Accounts payable	5,448,586	5,558,422
Current portion of long-term debt (note 7)	33,186	39,467
	5,481,772	6,566,539
Long-term debt (note 7)	194,124	221,030
Deferred grant funding	204,047	136,392
	5,879,943	6,923,961
Fund balances (note 3)	1,638,782	1,723,598
	7,518,725	8,647,559

Approved by the Board of Directors

Director

Director

Winnipeg Child And Family Services

Statement of Revenue, Expenses and Fund Balance - Operating Fund

For the year ended March 31, 2002

	2002 $	2001 $
Revenue		
Provincial grants and billings	89,977,903	80,153,174
Winnipeg Foundation	45,000	-
Children's Foundation	-	26,914
West Broadway Neighbourhood Resource Centre	-	9,228
Other income	819,500	863,962
	90,842,403	81,053,278
Expenses		
Foster care and special rate care	53,336,109	47,225,722
Salaries and benefits	30,203,031	27,354,387
Office operations	1,226,819	1,281,909
Rent and maintenance	1,520,554	1,406,607
Travel	1,240,082	1,082,318
Professional fees	886,222	844,847
Other program expenses	2,238,055	1,532,807
	90,650,872	80,728,597
Excess of revenue over expenses	191,531	324,681
Operating Fund balance - Beginning of year	-	-
Interfund transfers		
Transfer from Family Support Innovations Fund (note 4)	15,252	39,476
Transfer to Capital Fund for loan payments and assets purchases (note 4)	(206,783)	(364,157)
	(191,531)	(324,681)
Operating Fund balance - End of year	-	-

Winnipeg Child And Family Services

Statement of Revenue, Expenses and Fund Balance - Family Support Innovations Fund

For the year ended March 31, 2002

	2002 $	2001 $
Revenue		
Provincial grant	876,600	876,600
Expenses		
Salaries and benefits	829,541	803,836
Travel	28,313	27,928
Office operations	1,574	2,757
Other program expenses	1,295	1,609
Training costs	625	994
	861,348	837,124
Excess of revenue over expenses	15,252	39,476
Fund balance - Beginning of year	-	-
Transfer to Operating Fund (note 4)	(15,252)	(39,476)
Fund balance - End of year	-	-

Winnipeg Child And Family Services

Statement of Revenue, Expenses and Fund Balance - Other Funds

For the year ended March 31, 2002

		Restricted Fund
	Capital Fund $	Trust Fund $
Revenue		
Donations		
Winnipeg Foundation	-	20,000
Other	-	335,063
	-	355,063
Expenses		
Amortization of capital assets	442,296	-
Program expenses	-	204,366
	442,296	204,366
Excess (deficiency) of revenue over expenses	(442,296)	150,697
Balance of funds - Beginning of year	1,565,199	158,399
Transfer from Operating Fund for loan payments and assets purchases (note 4)	206,783	-
Balance of funds - End of year	1,329,686	309,096

Winnipeg Child And Family Services

Statement of Cash Flows

For the year ended March 31, 2002

	2002 $	2001 $
Cash flows from operating activities		
Cash received from the Province	94,106,540	80,080,192
Cash received from other sources	1,367,906	885,612
Cash payments to foster parents, collaterals, employees and suppliers	(91,674,067)	(81,379,171)
	3,800,379	(413,367)
Cash flows from financing activities		
Repayment of long-term debt	(33,187)	(55,440)
Cash flows from investing activities		
Purchase of capital assets	(173,596)	(308,717)
Purchase of investments	(116,298)	(99,512)
	(289,894)	(408,229)
Increase (decrease) in cash	3,477,298	(877,036)
Bank indebtedness - Beginning of year	(968,650)	(91,614)
Cash (bank indebtedness) - End of year	2,508,648	(968,650)

1 Purpose of the organization

Winnipeg Child and Family Services (the Agency) is an agency entrusted under the Child and Family Services Act to provide services that help families, services that protect children at risk of abuse and neglect, services to children in care, and adoption services.

2 Significant accounting policies

The Agency follows the accounting policies required by the Department of Family Services, Province of Manitoba.

Basis of accounting

The Agency receives the majority of its revenue from grant funding and per diem payments from the Manitoba Department of Family Services. The ongoing operations of the Agency are dependent on continued financial support at adequate levels from the Manitoba Government. These financial statements are prepared on the basis that this support will continue and that the Agency will be able to realize its assets and discharge its liabilities in the ordinary course of business.

Capital assets

Capital expenditures funded by the Operating Fund are recorded as a transfer in the Operating Fund in the year of acquisition and recorded at cost in the Capital Fund.

Amortization of capital assets

The cost of capital assets is amortized at the following rates:

- i) Houses and office buildings - amortized over 25 years or the term of the mortgage, whichever is shorter
- ii) Furniture, leaseholds and equipment - amortized over 5 years on a straight-line basis
- iii) Computer equipment and software - amortized over 5 years on a straight-line basis

Revenue recognition

Restricted contributions related to general operations are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the Operating Fund and other general funds in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Vacation pay

Vacation pay entitlements are recorded as a component of salary costs in the year the vacation entitlement is taken by the employee. Vacation pay entitlements at March 31, 2002 of $2,846,898 (2001 - $2,449,602) have not been accrued in these financial statements.

Pension costs

The Agency is a member of the United Way and Participating Affiliated Agencies Employees' Retirement Plan, a multi-employer defined benefit plan. Pension costs are recorded in the financial statements equal to the required annual contributions determined by the Plan's Board of Trustees, based on periodic actuarial valuations. Pension expense for the year was $883,704 (2001 - $825,849). The last actuarial valuation, completed at December 31, 1999, indicated a surplus in the Plan.

3 Fund balances

The Agency follows the restricted fund method of accounting for contributions. The Agency maintains the following funds:

Operating Fund

Funds designated for the delivery of social services to children and families.

Family Support Innovations Fund

Restricted funds designated to cover the cost of service initiatives which resulted in reductions in Agency days care, expenditures and children in care through family focused services as well as adoption and long-term fostering.

Capital Fund

Funds designated for capital expenditures.

Trust Fund

Restricted funds designated for special purposes.

	2002 $	2001 $
Invested in capital assets	1,329,686	1,565,199
Externally restricted Trust Funds	309,096	158,399
	1,638,782	1,723,598

4 Interfund transfers and balances

During the year, $15,252 (2001 - $39,476) was transferred from the Family Support Innovations Fund to the Operating Fund in order to fund program expenses. In addition, $206,783 (2001 - $364,157) was transferred from the Operating Fund to the Capital Fund in order to fund cash outlays for capital asset acquisitions and debt service.

Interfund balances have no fixed terms of repayment and do not bear interest.

5 Capital assets

	2002		2001	
	Cost $	Accumulated amortization $	Cost $	Accumulated amortization $
Houses and office buildings	1,643,245	682,808	1,643,245	602,462
Furniture, leaseholds and equipment	1,879,681	1,528,057	1,738,077	1,364,195
Computer equipment and software	1,637,353	1,392,418	1,605,361	1,194,330
	5,160,279	3,603,283	4,986,683	3,160,987
Net book value	1,556,996		1,825,696	

6 Bank indebtedness

The Agency has an operating line with its banker for up to $3,000,000. Interest is payable monthly at the bank prime rate. The operating line is secured by a general assignment of book debts, a borrowing resolution and confirmation of funding from the Province of Manitoba.

7 Long-term debt

	2002 **$**	**2001** **$**
408 Atlantic Avenue 10% mortgage, payable $618 monthly including principal and interest, due June 1, 2004, secured by a first mortgage on land and building	43,056	48,282
544 Aberdeen Avenue 10% mortgage, payable $601 monthly including principal and interest, due June 1, 2004, secured by a first mortgage on land and building	50,972	54,067
665 Atlantic Avenue 10% mortgage, payable $599 monthly including principal and interest, due June 1, 2004, secured by a first mortgage on land and building	35,920	42,345
487/489 Cathedral Avenue 6.8% mortgage, payable $711 monthly including principal and interest, due March 1, 2004, secured by a first mortgage on land and buildings	8,778	16,437
36 Alloway Avenue 7.35% mortgage, payable $429 monthly including principal and interest, due December 1, 2005, secured by a first mortgage on land and buildings	30,884	33,687
Carried forward	169,610	194,818

	2002 $	2001 $
Brought forward	169,610	194,818
141 Canora Street 7.5% mortgage, payable $508 monthly including principal and interest, due September 1, 2005, secured by a first mortgage on land and building	36,027	39,331
486 Dominion Street 6.85% mortgage, payable $526 monthly including principal and interest, due March 1, 2006, secured by a first mortgage on land and building	21,673	26,348
	227,310	260,497
Less: Principal payment due within one year	33,186	39,467
	194,124	221,030

The fair value of the mortgages, demand loan, and variable rate commercial loan are not materially different from their carrying values.

Principal payments due within the next five years are approximately as follows:

	$
Year ending March 31, 2003	33,186
2004	26,648
2005	111,238
2006	56,238
2007	-

8 Lease commitments

The Agency leases properties under long-term operating leases which expire at various dates to 2012. There are options to renew certain of these leases. The future minimum lease payments under these operating leases for the next five years are as follows:

	$
Year ending March 31, 2003	1,338,498
2004	920,034
2005	614,889
2006	361,116
2007	135,492

9 Contingencies

There are various legal claims against the Agency which, in the opinion of management, will be resolved with no material adverse effect on the Agency.

GOVERNMENT ENTERPRISES

AUDITORS' REPORT TO THE AUDITOR GENERAL

We have audited the balance sheet of Leaf Rapids Town Properties Ltd. as at March 31, 2002 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Portage la Prairie, Manitoba
July 19, 2002

LEAF RAPIDS TOWN PROPERTIES LTD.

Balance Sheet

March 31, 2002, with comparative figures for 2001

	2002	2001
Assets		
Current assets:		
Cash and short-term deposits	$ 1,453,782	$ 1,441,336
Accounts receivable	59,211	70,088
GST recoverable	-	1,099
Prepaid expenses	6,069	27,850
Current portion of note receivable (note 2)	11,944	13,500
	1,531,006	1,553,873
Developed lots held for resale (note 1(c))	1	1
Note receivable from Leaf Rapids Community Development Corporation (note 2)	1	60,781
Capital assets (note 3)	1	338,074
	$ 1,531,009	$ 1,952,729
Liabilities and Shareholders' Deficiency		
Current liabilities:		
Accounts payable and accrued liabilities	$ 151,618	$ 130,606
Deferred revenue	23,972	35,375
GST payable	4,738	-
Current portion of obligation under capital lease (note 4)	5,411	4,700
	185,739	170,681
Long-term debt (note 6)	1,498,577	1,498,577
Obligation under capital lease (note 4)	-	5,437
	1,684,316	1,674,695
Shareholders' deficiency:		
Capital stock (note 5)	2,621,100	2,621,100
Deficit	(2,774,407)	(2,343,066)
	(153,307)	278,034
	$ 1,531,009	$ 1,952,729

See accompanying notes to financial statements.

LEAF RAPIDS TOWN PROPERTIES LTD.

Statement of Operations and Deficit

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Revenue:		
Rentals	$ 256,058	$ 275,148
Cost recoveries	585,901	561,208
	841,959	836,356
Expenses:		
Administration fees and expenses	60,373	43,574
Amortization	81,254	43,248
Bad debts	8,037	23,369
Insurance	39,389	25,909
Janitorial	58,973	72,821
Professional fees	-	14,260
Property taxes	91,356	102,980
Repairs and maintenance	86,592	116,181
Salaries and benefits	158,595	139,291
Snow removal	7,400	9,683
Sundry	2,460	2,794
Supplies and office	28,459	24,719
Telephone	10,632	6,381
Utilities	106,207	95,940
Vehicle and travel	26,492	10,676
	766,219	731,826
Income from operations	75,740	104,530
Other (expense) revenue:		
Corporation capital tax	(3,749)	(4,097)
Interest, net (note 7)	(10,233)	5,461
Management and consulting fees	(11,377)	(7,014)
Other	500	2,226
	(24,859)	(3,424)
Income before write down of assets	50,881	101,106
Write down of capital assets (note 9)	320,554	-
Write down of note receivable from Leaf Rapids Community Development Corporation (note 2)	49,687	-
Write down of other assets (note 9)	111,981	-
Net (loss) income	(431,341)	101,106
Deficit, beginning of year	(2,343,066)	(2,444,172)
Deficit, end of year	$ (2,774,407)	$ (2,343,066)

See accompanying notes to financial statements.

LEAF RAPIDS TOWN PROPERTIES LTD.

Statement of Cash Flows

Year ended March 31, 2002, with comparative figures for 2001

	2002	2001
Cash provided by (used in):		
Operating activities:		
Net (loss) income	$ (431,341)	$ 101,106
Items not involving cash:		
Amortization	81,254	43,248
Write down of capital assets to net realizable value (note 9)	320,554	-
Write down of note receivable from Leaf Rapids Community Development Corporation (note 2)	49,687	-
Write down of other assets (note 9)	111,981	-
	132,135	144,354
Net change in non-cash operating working capital:		
Accounts receivable	(56,898)	(24,252)
GST payable	5,837	(5,834)
Prepaid expenses	(22,425)	26,204
Accounts payable and accrued liabilities	21,012	(32,995)
Deferred revenue	(11,403)	544
	(63,877)	(36,333)
	68,258	108,021
Investing activities:		
Additions to capital assets	(63,735)	(85,036)
Note receivable from Leaf Rapids Community Development Corporation	12,649	(74,281)
	(51,086)	(159,317)
Financing activities:		
Obligations under capital lease	-	11,221
Payments on capital lease	(4,726)	(1,084)
	(4,726)	10,137
Increase (decrease) in cash and short-term deposits	12,446	(41,159)
Cash and short-term deposits, beginning of year	1,441,336	1,482,495
Cash and short-term deposits, end of year	$ 1,453,782	$ 1,441,336
Additional information:		
Interest paid	$ 69,416	$ 74,939

See accompanying notes to financial statements.

LEAF RAPIDS TOWN PROPERTIES LTD.

Notes to Financial Statements

Year ended March 31, 2002

Nature of operations:

Leaf Rapids Town Properties Ltd. was incorporated in 1971 under The Manitoba Companies Act. It was charged with the responsibility for the planning, design and development of the community of Leaf Rapids. Since the completion of the development, the Corporation has managed, leased and operated its physical assets and properties in Leaf Rapids.

1. **Significant accounting policies:**

The Corporation's financial statements have been prepared using Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) Management estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they become known.

(b) Capital assets:

Capital assets are stated at cost, less accumulated amortization and write downs. Certain capital assets were written down in 2000 to their net realizable value. Amortization was provided in 2002 based on amortizing the remaining net book value of the capital assets over two years, 2002 and 2003. As well, in 2002, land, buildings and equipment were written down to reflect the reduction in their useful lives as explained in note 9. Accordingly, there will be no amortization for 2003.

1. **Significant accounting policies (continued):**

   (c) Developed lots:

   Developed lots held for resale were writtten down, in a previous year, to a nominal value of $1. Property taxes and any other related costs are charged to operations.

   (d) Pension expense:

   The Corporation participates in a multi-employer pension plan. Pension expense is equal to the Corporation's annual funding of the pension plan. The annual funding is based on the Corporation matching the employees required contributions.

2. **Note receivable:**

   In 2001, the Corporation provided financing to the Leaf Rapids Community Development Corporation for the renovations to the dental clinic. Effective March 31, 2002, the terms of repayment were renegotiated to those shown below. The note receivable was written down in 2002 by $49,687 to reflect the uncertainty regarding the ultimate collection of the note receivable due to the closure of the Ruttan Mine, as explained in note 9, and the effect that this closure may have on the population base of the town.

0.0% note receivable, at $995 per month, maturing May 2007	$	61,632
Less:		
Write down		49,687
Current portion of note receivable		11,944
	$	1

LEAF RAPIDS TOWN PROPERTIES LTD.

Notes to Financial Statements (continued)

Year ended March 31, 2002

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3. Capital assets:

	Cost	Accumulated Write Down	Accumulated Amortization	2002	2001
Commercial Properties:					
Land	$ 478,765	$ 478,764	$ -	$ 1	$ 142,107
Building	1,627,110	561,919	1,065,191	-	50,585
Equipment	14,246	4,110	10,136	-	6,165
Non-Commercial Properties:					
Land	414,692	414,692	-	-	-
Building	4,701,479	-	4,701,479	-	-
Other Property:					
Land	82,301	82,301	-	-	50,000
Building	857,752	321,652	536,100	-	-
Equipment	201,311	60,217	141,094	-	89,217
	$ 8,377,656	$ 1,923,655	$ 6,454,000	$ 1	$ 338,074

4. Obligation under capital lease:

The following is a schedule of minimum lease payments under the capital lease, expiring March 2003, together with the balance of the obligation under the capital lease:

2003	$ 5,818
Total minimum lease payments	5,818
Amount representing interest	407
Net minimum lease payments	5,411
Current portion of obligation under capital lease	5,411
	$ -

5. Capital stock:

		2002		2001
Authorized:				
40,000 common shares, not to exceed $40,000				
26,210 8.15% non-cumulative, redeemable, preferred voting shares, not to exceed $2,621,000, with a redemption price of $100 per share				
Issued and fully paid:				
100 common shares	$	100	$	100
26,210 preferred shares		2,621,000		2,621,000
	$	2,621,100	$	2,621,100

Ownership: All issued shares are held by the Minister of Finance of the Province of Manitoba.

6. Long-term debt:

Long-term debt payable to the Province of Manitoba consists of $1,498,577 in 10% income debentures, secured by a floating charge on all assets of the corporation. Annual installments against this debt are determined based on one-half of the prior year's cash flow from operations. Cash flow is defined as net income from operations, plus amortizaton expense, less the installment amount paid in the year.

Interest expense is recorded as an accrual each year end, based on the required annual installment that becomes due and payable subsequent to each fiscal year. If the required annual installment exceeds 10% of the outstanding long-term debt, the amount of the required annual installment in excess of 10% of the outstanding long-term debt is applied against the outstanding long-term debt principal and the remainder is recorded as interest expense. If the required annual installment is less than 10% of the outstanding long-term debt, the full amount of the installment is recorded as interest expense. The difference between that recorded interest expense and 10% of the long-term debt is not recorded and is non-cumulative. For the year ended March 31, 2002, the accrued interest expense amounted to $63,018. The difference between the interest expense of $63,018 and 10% of the long-term debt is $86,840.

7. Interest expense - net:

	2002	2001
Interest expense	$ (63,018)	$ (69,416)
Interest revenue	52,785	74,877
	$ (10,233)	$ 5,461

8. Related party transactions:

As stated in note 5, all issued shares of the Corporation are held by the Minister of Finance of the Province of Manitoba. In addition, the long-term debt and related interest described in note 6 are payable to the Province of Manitoba. The interest income described in note 7 is earned on short-term deposits held by the Province of Manitoba. The Corporation also has the following balances with the Province of Manitoba and its agencies reflected in these financial statements as at March 31, 2002. These transactions and balances are in the normal course of operations and are measured at the exchange amount agreed to by the related parties.

	2002	2001
Short-term deposits	$ 1,376,998	$ 1,325,004
Accounts receivable	3,424	8,855
Accounts payable	85,590	95,948

We have audited the balance sheet of The Liquor Control Commission (an agency of the Government of the Province of Manitoba) as at March 31, 2002 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of The Liquor Control Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Liquor Control Commission as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada
May 14, 2002

Grant Thornton LLP

Chartered Accountants

The Liquor Control Commission Statement of Income

(In Thousands)

Years Ended March 31	**2002**	**2001**
Sales	$ 422,604	$ 400,825
Cost of sales	223,464	210,135
Gross profit	199,140	190,690
Other income (Note 4)	5,827	5,629
	204,967	**196,319**
General and administrative expenses (Note 5)	40,189	36,622
Operating profit before depreciation	164,778	159,697
Depreciation (Notes 2 and 6)	1,462	1,084
Net profit paid or payable to the Province of Manitoba	**$ 163,316**	**$ 158,613**

The Liquor Control Commission Balance Sheet
(In Thousands)

March 31	2002	2001
Assets		
Current		
Cash on hand and in banks	$ 14,685	$ 11,542
Accounts receivable - Province of Manitoba	1,375	1,375
Accounts receivable - claims and other	715	883
Inventory (Note 3)	17,630	17,054
Prepaids expenses and supplies	797	550
	35,202	**31,404**
Fixed assets (Note 6)	8,018	5,668
Long-term commitments - Province of Manitoba	44,079	41,898
	$ 87,299	**$ 78,970**
Liabilities		
Current		
Accounts payable - trade and other	$ 16,274	$ 12,435
Goods and services tax payable	2,060	2,028
Manitoba retail sales tax payable	992	884
Net profit payable to the Province of Manitoba	18,216	16,113
Environmental protection tax payable	121	112
Deferred licence fees	523	518
	38,186	**32,090**
Long-term		
Provision for employee pension benefits	40,914	38,734
Provision for retirement allowances	3,699	3,646
Non-interest bearing working capital advance provided by the Province of Manitoba	4,500	4,500
	$ 87,299	**$ 78,970**

Approved on behalf of the Commission

Chair of the Board

Grant Thornton LLP

Chair of the Audit Committee

President and Chief Executive Officer

W E Fawcett

Acting Chief Financial Officer

The Liquor Control Commission Statement of Cash Flows

(In Thousands)

Years Ended March 31	2002	2001
Increase (decrease) in cash on hand and in banks		
Operating activities		
Cash receipts		
Sales - spirits, wine, coolers/ciders and beer	$ 422,604	$ 400,825
Annual and supplementary licence fees and other	3,894	3,229
Goods and services tax	29,833	28,272
Manitoba retail sales tax	12,572	11,777
Manitoba WRAP tax	409	319
Environmental protection tax	1,653	1,537
	470,965	**445,959**
Cash disbursements		
Purchases - merchandise, federal duty, excise and sales taxes, etc.	221,408	209,960
General and administrative expenses	37,094	33,661
Goods and services tax	29,802	27,182
Manitoba retail sales tax	12,463	11,731
Manitoba WRAP tax	406	292
Environmental protection tax	1,644	1,532
	302,817	**284,358**
Net cash available from operating activities	**168,148**	**161,601**
Investing activities		
Acquisition of fixed assets	(3,775)	(1,760)
(Decrease) increase in holdbacks payable	(17)	22
Net cash used for investing activities	**(3,792)**	**(1,738)**
Net cash available for transfer	**164,356**	**159,863**
Transfers to Province of Manitoba		
Current year's net profit	145,100	142,500
Prior year's net profit	16,113	13,504
	161,213	**156,004**
Excess of cash receipts over disbursements and transfers	3,143	3,859
Cash on hand and in banks, beginning of year	11,542	7,683
Cash on hand and in banks, end of year	$ 14,685	$ 11,542

The Liquor Control Commission Schedule of Sales, Cost of Sales and Gross Profit
(In Thousands)

Years Ended March 31, 2002

	Spirits	Wine	Coolers/Ciders	Beer	Total
Sales					
Stores	$ 104,292	$ 44,322	$ 7,415	$ 22,379	$ 178,408
Liquor vendors	29,237	5,154	2,378	3,096	39,865
Licensees	20,066	3,439	2,729	168,026	194,260
Specialty wine stores	-	9,896	175	-	10,071
Total sales for 2002	**$ 153,595**	**$ 62,811**	**$ 12,697**	**$193,501**	**$ 422,604**
Total sales for 2001	$ 152,661	$ 58,357	$ 9,209	$ 180,598	$ 400,825
Cost of sales					
Total cost of sales for 2002	**$ 61,555**	**$ 30,011**	**$ 6,700**	**$125,198**	**$ 223,464**
Total cost of sales for 2001	$ 61,244	$ 27,676	$ 4,856	$ 116,359	$ 210,135
Gross profit for 2002	**$ 92,040**	**$ 32,800**	**$ 5,997**	**$ 68,303**	**$ 199,140**
Gross profit for 2001	$ 91,417	$ 30,681	$ 4,353	$ 64,239	$ 190,690
Gross profit as a percentage of sales for 2002	**59.9%**	**52.2%**	**47.2%**	**35.3%**	**47.1%**
Gross profit as a percentage of sales for 2001	59.9%	52.6%	47.3%	35.6%	47.6%

The Liquor Control Commission Notes to the Financial Statements

(In Thousands)

March 31

1. Nature of organization

The Liquor Control Commission was formed in 1923 as an agency of the Government of Manitoba under the Government *Liquor Control Act*. The Commission's mandate is to purchase, sell and regulate alcoholic beverages; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province from the activities of the Commission; and to do all such things necessary to effect the provisions of *The Liquor Control Act*.

2. Significant accounting policies

a. Inventories of goods for resale are valued at cost.

b. Depreciation is provided on the declining balance basis at the following annual rates:

Automobiles	30%
Equipment and furnishings	20%
Paving	8%
Systems development	30%

Leasehold improvements are depreciated on a straight line basis over the remaining term of the lease or a minimum of five years.

c. Pension costs

Substantially all of the employees of the Liquor Control Commission are members of *The Civil Service Superannuation Act*, which is a multi-employer defined benefit pension plan available to all eligible employees of the participating organizations. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five years prior to retirement, termination, or death, that provides the highest earnings. The costs of the benefit plan are not allocated to the individual participating organizations and therefore such organizations are not able to identify their share of the underlying assets and liabilities of the plan. Accordingly, the plan is accounted for as a defined contribution plan as the Commission has insufficient information to apply defined benefit plan accounting.

Pension costs, included in salaries, benefits and pension costs, consist of the employer's share of pension benefits paid to retired employees, as well as the increase in unfunded pension liabilities during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by formula provided by the actuary. The most recent valuation was completed as at December, 1998. Contributions to the plan during the year by the Commission on behalf of its employees amounted to $2,180,628 (2001: $1,936,704) and are included in the statement of income.

d. Other income

Other income includes funding from the Province of Manitoba for the Commission's share of provisions provided for unfunded pension liabilities.

e. The Commission's financial instruments consist of cash, accounts receivable, amounts due to a related party and accounts payable. It is management's opinion that the Commission is not exposed to interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

f. Use of estimates

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Inventory

	2002	2001
In bond merchandise	$ 10,255	$ 9,610
Duty paid merchandise	7,375	7,444
	$ 17,630	**$ 17,054**

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $2,493 at March 31, 2002 (2001: $2,435).

4. Other income

	2002	2001
Long-term funding commitments - Province of Manitoba	$ 2,181	$ 1,937
Miscellaneous	1,026	869
Supplementary licence fees	750	751
Occasional permits additional fees	706	827
Annual licence fees and licence application fees	617	612
Occasional permits	255	290
Administration charges	208	234
Specialty wine store fees	50	32
Border point fees	34	77
	$ 5,827	**$ 5,629**

5. General and administrative expenses

	2002	2001
Salaries, benefits, and pension costs	$ 25,098	$ 23,516
Leased premises - rentals (Note 7)	4,324	4,108
Advertising and promotions	1,309	1,009
Delivery charges	1,173	1,130
Maintenance and repairs	1,135	961
Utilities	1,101	939
Bank charges	852	686
Printing, postage and supplies	698	597
Staff training	570	251
Grants in lieu of taxes	522	508
Equipment rentals (Note 7)	503	463
Health and post secondary education tax levy	411	381
Alcohol education	393	107
Professional fees	380	387
Protective services	338	298
Miscellaneous	333	268
Communications	319	270
Travelling	199	203
Product analysis	161	145
Vehicle expenses	151	161
Community support	130	127
Crown Corporations Council levy	89	107
	$ 40,189	$ 36,622

6. Depreciation/fixed assets

			2002	2001
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Leasehold improvements	$ 4,101	921	$ 3,180	$ 2,460
Equipment and furnishings	3,652	1,535	2,117	1,909
Systems development	4,089	1,708	2,381	971
Automobiles	457	227	230	218
Paving	166	56	110	110
	$ 12,465	$ 4,447	**$ 8,018**	$ 5,668

7. Long-term leases

a. The Commission leases its head office and 10 other buildings from the Government of the Province of Manitoba for the nominal sum of two dollars effective August 1, 1985, for a period of 99 years.

b. The Commission leases another 37 buildings. Leases have expiry dates ranging from 2002 to 2013.

The future minimum lease payments for each of the next five years and thereafter are as follows:

2003	$ 2,969
2004	2,824
2005	2,578
2006	2,322
2007	2,008
Thereafter	5,893

c. The Commission leases computer equipment. Leases on this computer equipment expire in 2006.

The future minimum lease payments for each of the years to the expiry of the lease contracts are as follows:

2003	$ 410
2004	303
2005	167
2006	87

8. Contingent liability

a. Legal action has been taken against the Commission by DFS Ventures contesting the Commission's right to collect markup on any liquor sold to DFS Ventures. The outcome of this action and the amounts involved are not determinable.

b. Legal action has been taken against the Commission by the six stand-alone private wine stores claiming the Commission's interference with their economic interests, abuse of public authority and breach of contract. The outcome of this action and the amounts involved are not determinable.

c. Legal action has been taken against the Commission by the two specialty food and wine private wine stores claiming discriminatory action by the Commission under *The Competition Act* with regard to the discount structure. The outcome of this action and the amounts involved are not determinable.

9. Comparative figures

Prior year's comparative figures have been restated, where necessary, to conform with the financial statement presentation adopted for the fiscal year ended March 31, 2002.

Auditors' Report

To The Manitoba Hydro-Electric Board

We have audited the consolidated balance sheet of The Manitoba Hydro-Electric Board as at March 31, 2002 and the consolidated statements of income and retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Winnipeg, Canada
July 3, 2002

Consolidated Balance Sheet
As at March 31

	Notes	**2002**	2001
		millions of dollars	
Assets			
Capital Assets			
In service		**9 072**	8 762
Less accumulated depreciation		**2 834**	2 609
		6 238	6 153
Construction in progress		**388**	275
	6	**6 626**	6 428
Current Assets			
Bank balances and temporary investments	13	**14**	-
Accounts receivable, accrued revenue and other assets	7	**386**	476
Interest receivable		**25**	16
Materials and supplies, at average cost		**84**	59
		509	551
Other Assets			
Sinking fund investments	8	**1 515**	1 350
Pension assets	9	**473**	443
Deferred debt costs	10	**903**	880
Other deferred assets	11	**379**	314
		3 270	2 987
		10 405	9 966

Approved on behalf of the Board:

Curtis

Victor H. Schroeder, QC
Chairman of the Board

Charles E. Curtis, FCA
Chairman of the Audit Committee

	Notes	2002	2001
		millions of dollars	
Liabilities and Retained Earnings			
Long-Term Debt			
Long-term debt net of sinking fund investments		**5 622**	5 618
Sinking fund investments	8	**1 515**	1 350
	12	**7 137**	6 968
Current Liabilities			
Bank overdraft	13	**-**	2
Accounts payable and accrued liabilities		**209**	192
Notes payable	14	**180**	190
Accrued interest		**100**	109
Current portion of long-term debt		**524**	496
		1 013	989
Other Liabilities			
Deferred liabilities and credits	15	**230**	254
Pension liability	9	**422**	386
		652	640
Contributions in Aid of Construction		**301**	281
Retained Earnings		**1 302**	1 088
		10 405	9 966

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Income

For the year ended March 31

		Notes	2002	2001
			millions of dollars	
Revenues				
Electric	Manitoba		797	789
	Extraprovincial	2	588	480
Gas	Commodity		365	384
	Distribution		114	120
			1 864	1 773
Cost of gas sold			365	384
			1 499	1 389
Expenses				
Operating and administrative			304	290
Depreciation and amortization			260	249
Water rentals and assessments		3	113	56
Fuel and power purchased		4	71	48
Capital and other taxes			55	56
			803	699
Income before finance expense			696	690
Finance expense		5	482	420
Net Income			214	270

Consolidated Statement of Retained Earnings

For the year ended March 31

	2002	2001
	millions of dollars	
Retained Earnings, Beginning of Year	1 088	818
Net income	214	270
Retained Earnings, End of Year	1 302	1 088

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended March 31

	Note	2002	2001
		millions of dollars	
Cash Provided From Operations			
Cash receipts from customers		**1 860**	1 664
Cash paid to suppliers and employees		**(839)**	(912)
Interest paid		**(556)**	(531)
Interest received		**89**	113
		554	334
Cash Provided From Financing			
Proceeds from long-term debt		**1 259**	292
Sinking fund withdrawals		**-**	275
Retirement of long-term debt		**1 096)**	(609)
Discount (premium) on long-term debt		**(11)**	4
Mitigation liability		**(19)**	(2)
Notes payable issued (retired)		**(33)**	210
		100	170
Cash Used For Investment			
Additions to capital assets, net of contributions		**439**	362
Sinking fund payment		**127**	119
Other		**72**	40
		638	521
Increase (Decrease) In Cash		**16**	(17)
Cash At Beginning Of Year		**(2)**	15
Cash At End Of Year	13	**14**	(2)

The accompanying notes are an integral part of the consolidated financial statements

Notes to the Consolidated Financial Statements
For the year ended March 31, 2002

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the financial statements of the Corporation and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

a) CAPITAL ASSETS

Property, plant and equipment are stated at cost which consists of contracted services, direct labour, material and expense, a proportionate share of overhead costs and interest applied at the effective rates incurred in financing construction. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in service is made, finance expense allocated to construction ceases and depreciation and finance expense charged to operations commences.

b) DEPRECIATION

Depreciation is provided on a straight-line remaining life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Hydroelectric generation	40 - 100 years
Thermal electric generation	35 - 45 years
Transmission lines and stations	20 - 80 years
Distribution lines (Electrical and Gas)	10 - 60 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. In accordance with utility accounting practices, retirements of these assets are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives of the assets and the estimate of their removal costs are based upon depreciation studies conducted periodically by the Corporation. A provision for estimated future costs of removal and site restoration costs related to the decommissioning of the thermal generating stations is recorded as a deferred liability.

c) FOREIGN CURRENCY TRANSLATION

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates except to the extent that revenues are used to hedge future long-term foreign debt obligations. In accordance with the Corporation's exposure management program, revenues used as hedges are firm U.S. revenues, which are translated at the historical book value exchange rates of the respective U.S. debt obligations to which the firm revenues are linked and for which they, together, form an effective hedge. The maturity dates of U.S. debt obligations extend through 2023.

Notes to the Consolidated Financial Statements

United States Long-Term Debt and Sinking Fund Investments

Long-term monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. The exchange gains or losses, resulting from the translation of these long-term monetary items, which are related to liabilities hedged by future U.S. revenue streams, are deferred to the date of repayment.

Current Assets and Current Liabilities

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. The exchange gains or losses are credited or charged to operations.

d) PENSION AND OTHER EMPLOYEE BENEFITS

An independent actuary using the accrued benefit method and management's best estimate assumptions determines the costs of pension benefits. Pension expense is comprised of the cost of pension benefits provided during the year plus the amortization of the cost of past service benefits and experience gains and losses. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the financial statements as a deferred asset or credit. Effective April 1, 2000, the Corporation adopted the "corridor method" of amortizing actuarial gains and losses. The amortization of this balance is recognized only to the extent that the cumulative net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation at the beginning of the year and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

All pension assets are stated at current market value.

Other employee benefits earned by employees include vacation, vested sick leave and long-term disability. Where applicable, the cost of these benefits is determined based on management's best estimate of discount rates, salary escalation and retirement ages of employees.

Vacation expense in respect of employees' services rendered to the date of initial recognition of the liability is recognized in the financial statements as a deferred asset and is being amortized on a straight-line basis over a period of 10 years.

e) DEBT DISCOUNT AND EXPENSE

Debt discount and associated issue costs are amortized to finance expense on a straight-line basis over the life of the respective debt.

Notes to the Consolidated Financial Statements

f) SINKING FUND INVESTMENTS

The Corporation records sinking fund investments at par value. The difference between the cost and the par value of each investment is recorded as a premium or discount and is amortized on a straight-line basis over the remaining life of the investment. Any gain or loss on early disposal of investments is credited or charged to operations.

g) TEMPORARY INVESTMENTS

Temporary investments are recorded at cost.

h) PLANNING STUDIES

Planning studies costs are recorded as a deferred expense and are amortized on a straight-line basis over 15 years. The balance of the unamortized costs of a project which proceeds during the 15-year period is transferred to the capital cost of the project.

i) POWER SMART PROGRAMS

The costs of the Corporation's energy conservation programs, referred to as Power Smart programs, are deferred and amortized on a straight-line basis over periods of up to 15 years.

j) SITE RESTORATION COSTS

Site restoration costs are recorded as a deferred expense and are amortized on a straight-line basis over 15 years.

k) REVENUES

Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

l) RATE REGULATION

The prices charged for sales of electricity and gas within Manitoba are subject to review and approval by The Public Utilities Board of Manitoba.

m) CONTRIBUTIONS IN AID OF CONSTRUCTION

Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related capital assets.

n) COST OF GAS SOLD

Cost of gas sold is recorded at the same rates charged to customers. The difference between the recorded cost of gas and the actual cost of gas is carried as an account receivable or recorded as a deferred item and recovered or refunded in future rates.

Notes to the Consolidated Financial Statements

o) **DERIVATIVE FINANCIAL INSTRUMENTS**

The Corporation utilizes derivative financial instruments to mitigate gas price volatility. Amounts paid or received under these derivative financial instruments are recognized as part of the actual cost of gas.

p) **CENTRA GAS ACQUISITION**

Costs associated with the acquisition of Centra Gas Manitoba Inc. (Centra Gas) have been deferred and are being amortized on a straight-line basis over a period of 30 years.

q) **DEFERRED TAXES**

The taxes paid by Centra Gas as a result of its change to non-taxable status on acquisition by Manitoba Hydro have been deferred and are being amortized, on a straight-line basis, over a period of 30 years.

r) **GOODWILL**

Goodwill represents the value of the Corporation's investments in subsidiaries over and above the fair market value of the subsidiaries' net assets. Effective April 1, 2001, the Corporation implemented the new standard issued by the CICA on goodwill. Under the new standard, goodwill is no longer amortized but is instead tested annually for impairment. As of the date of adoption of the new standard, the unamortized balance of goodwill was $62 million. The change in accounting policy resulted in a reduction in amortization expense related to goodwill of $2 million for the year ended March 31, 2002. As the change was implemented prospectively, the amounts presented for prior periods have not been restated.

s) **USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

Notes to the Consolidated Financial Statements

NOTE 2 EXTRAPROVINCIAL REVENUES

	2002	2001
	millions of dollars	
United States	**495**	371
Canada	**93**	109
	588	480

U.S. revenues designated as a hedge of U.S. denominated long-term debt are recorded at the historical book value rate of the associated debt. The effective exchange rate for translation of these revenues is $1.00 U.S. = $1.232 Canadian (2001 - $1.00 U.S. = $1.174 Canadian). For 2001, if U.S. revenue had been translated at average exchange rates prevailing throughout the year and those revenues designated as a hedge at the historical book value exchange rate of the associated debt, U.S. revenues would have amounted to $451 million and total revenues would have amounted to $560 million.

NOTE 3 WATER RENTALS AND ASSESSMENTS

	2002	2001
	millions of dollars	
Water rentals	**107**	51
Land rentals and assessments	**6**	5
	113	56

Water rentals are paid to the Province for the use of water resources in the operation of the Corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MW.h (2001 - $1.63 per MW.h).

NOTE 4 FUEL AND POWER PURCHASED

	2002	2001
	millions of dollars	
Power purchased:		
United States	**49**	22
Canada	**12**	8
Thermal fuel	**10**	18
	71	48

For 2001, if U.S. purchases had been translated at average exchange rates prevailing throughout the year, U.S. purchases would have amounted to $28 million and total fuel and power purchased would have amounted to $54 million.

Notes to the Consolidated Financial Statements

NOTE 5 FINANCE EXPENSE

	2002	2001
	millions of dollars	
Investment on debt	**587**	540
Amortization of discount and expenses	**11**	6
Finance expense allocated to construction	**(25)**	(18)
Investment income	**(91)**	(108)
	482	420

Included in interest on debt is $72 million (2001 - $53 million) in respect of the Provincial Debt Guarantee Fee. The fee during the year was 0.95% of the total outstanding debt guaranteed by the Province (2001 – 0.70%).

U.S. sinking fund interest income designated as a hedge of U.S. denominated long-term debt is recorded at the historical book value exchange rate of the associated debt. The effective exchange rate for translation of these revenues is $1.00 U.S. = $1.232 Canadian (2001 - $1.00 U.S. = $1.174 Canadian).

For 2001, if interest on U.S. debt had been translated at average exchange rates prevailing throughout the year, total interest on debt for the year would have amounted to $594 million.

NOTE 6 CAPITAL ASSETS

	2002			2001		
	millions of dollars					
	In Service	**Accumulated Depreciation**	**Construction in Progress**	In Service	Accumulated Depreciation	Construction in Progress
Generation	**4 242**	**1 182**	**203**	4 194	1 109	119
Transmission	**672**	**180**	**22**	645	168	24
Substations	**1 670**	**663**	**62**	1 594	613	64
Distribution	**1 731**	**528**	**56**	1 647	480	24
Other	**757**	**281**	**45**	682	239	44
	9 072	**2 834**	**388**	8 762	2 609	275

NOTE 7 ACCOUNTS RECEIVABLE, ACCRUED REVENUE AND OTHER ASSETS

Included in accounts receivable are deferred gas costs in the amount of $45 million (2001 - $120 million) which represent the difference between the actual cost of gas and the recorded cost of sales. Deferred gas costs will be recovered from customers in future billing periods during the next sixteen months.

NOTE 8 SINKING FUND INVESTMENTS

As provided by The Manitoba Hydro Act, the Corporation pays an annual sinking fund installment to the Minister of Finance of the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31, and 4% of the balance in the sinking fund at such date.

Notes to the Consolidated Financial Statements

Payments to the sinking fund during the year were $127 million (2001 - $119 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2002	2001
	millions of dollars	
Canadian investments	**572**	563
U.S. investments	**943**	787
	1 515	1 350

Canadian investments have a weighted average term to maturity of 5.2 years (2001 – 5.2 years) and an effective yield to maturity of 6.46% (2001 – 6.89%). U.S. investments have a weighted average term to maturity of 3.2 years (2001 – 3.3 years) and an effective yield to maturity of 5.89% (2001 – 6.63%). U.S. investments are translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.59 Canadian (2001 - $1.00 U.S. = $1.58 Canadian).

NOTE 9 PENSION ASSETS AND OBLIGATION

Manitoba Hydro employees are eligible for pensions under the Manitoba Civil Service Superannuation Fund (the Fund). The Fund is a defined benefit plan that requires the Corporation to contribute 50% of the pension disbursements made to retired employees. The Corporation fully funds its pension obligation.

The most recent actuarial valuation for the Corporation's obligation was performed with respect to the liability outstanding as at December 31, 2001. This valuation incorporated management's best estimate assumptions and took into consideration the long-term nature of the plan. The pension liability amounted to $422 million at March 31, 2002 (2001 - $386 million).

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2002	2001
Discount rate	**7.25%**	7.25%
Expected long-term rate of return on plan assets	**8.00%**	8.00%
Rate of compensation increase, including inflation, merit and promotions	**3.00 - 4.00%**	3.50 - 4.00%

Notes to the Consolidated Financial Statements

The Manitoba Civil Service Superannuation Board manages the assets on behalf of the Corporation. Pension assets are valued at market rates and are invested as follows:

	2002	2001
	millions of dollars	
Bonds and debentures	**186**	163
Equities	**216**	200
Mortgages	**9**	34
Short-term investments	**22**	15
Real estate	**40**	31
Fair value of plan assets	**473**	443
Accrued benefit obligation	**422**	386
Fund status – plan surplus	**51**	57
Net accrued valuation adjustments	**31**	10
Net expense	**8**	6
Benefits paid	**18**	17

The return on pension fund assets for the year ended March 31, 2002 was 6.7% (2001 - 4.4%). The weighted average term to maturity on fixed income investments is 13.9 years.

Effective January 1, 2001 and June 21, 2001, the former salaried employees and union employees respectively of Centra Gas ceased earning current service benefits under the Centra Gas pension plans and began earning benefits under the Civil Service Superannuation Plan. Benefit entitlement earned by salaried employees up to December 31, 2000 and union employees up to June 20, 2001 will be paid out of the curtailed plans.

Information about the curtailed Centra Gas defined benefit pension plans as at March 31, in aggregate are as follows:

	2002	2001
	millions of dollars	
Fair value of plan assets	**48**	49
Accrued benefit obligation	**59**	57
Fund status – plan deficit	**11**	8
Net accrued valuation adjustments	**11**	6
Net expense	**1**	1
Benefits paid	3	3
Employer contributions	**1**	2

Notes to the Consolidated Financial Statements

NOTE 10 DEFERRED DEBT COSTS

	2002	2001
	millions of dollars	
Deferred foreign exchange	**809**	792
Debt discount and expense	**53**	53
Premium on purchase of sinking fund investments	**20**	14
Other	**21**	21
	903	880

Deferred foreign exchange represents the net translation gains and losses on U.S. long-term monetary items that will be offset through the translation of future U.S. firm revenue streams. In prior years this amount was netted against the debt obligation. The 2001 comparative figures have been reclassified to conform to the presentation adopted in 2002.

NOTE 11 OTHER DEFERRED ASSETS

	2002	2001
	millions of dollars	
Power Smart programs	**43**	39
Planning studies	**122**	92
Goodwill	**62**	62
Deferred taxes	**49**	51
Pension valuation	**31**	10
Vacation expense	**5**	8
Contract receivables	**20**	9
Site restoration costs	**13**	9
Centra Gas acquisition costs	**14**	12
Other	**20**	22
	379	314

Notes to the Consolidated Financial Statements

NOTE 12 LONG-TERM DEBT

In 2002, the Corporation arranged long-term financing in the principal amount of $1 259 million (2001 - $292 million) for refinancing and investing purposes. Of this amount, $1 000 million was arranged with fixed coupon rates in the range of 4.7% to 6.6%. The remaining long-term debt of $259 million was issued at floating rates of interest.

Long-Term Debt	2002	2001
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	**7 221**	7 018
Manitoba HydroBonds	**404**	215
The Manitoba Hydro-Electric Board Bonds	**36**	76
Centra Gas Manitoba Inc. debentures	**-**	155
	7 661	7 464
Less: Current portion of long-term debt	**524**	496
	7 137	6 968

Long-term debt, excluding Manitoba Hydro-Electric Board bonds, is guaranteed by the Province of Manitoba. Debt amounts are summarized by years of maturity in the following table:

	2002					2001
	millions of Canadian dollars					
Years of Maturity	**Canadian Maturities**	**U.S. Maturities**	**Total Principal Amount of Maturities**	**Canadian Yields**	**U.S. Yields**	Total Principal Amount of Maturities
2003	**445**	**79**	**524**	**7.31%**	**6.45%**	164
2004	**-**	**319**	**319**	**-**	**4.79%**	158
2005	**211**	**-**	**211**	**4.78%**	**-**	-
2006	**-**	**-**	**-**	**-**	**-**	-
2007	**84**	**239**	**323**	**5.82%**	**4.57%**	-
	740	**637**	**1 377**	**5.45%**	**4.68%**	322
2008-2012	**145**	**786**	**931**	**5.77%**	**5.63%**	919
2013-2032	**2 266**	**3 087**	**5 353**	**8.48%**	**7.71%**	5 727
	3 151	**4 510**	**7 661**	**8.36%**	**7.43%**	6 968

U.S. debt is translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.59 Canadian (2001 - $1.00 U.S. = $1.58 Canadian).

Notes to the Consolidated Financial Statements

NOTE 13 BANK BALANCES AND TEMPORARY INVESTMENTS

	2002	2001
	millions of dollars	
Bank balances	**5**	(2)
Temporary investments	**9**	-
	14	(2)

The Corporation has a bank credit facility that provides for overdrafts and notes payable up to an amount of $500 million denominated in Canadian and/or U.S. currency.

NOTE 14 NOTES PAYABLE

Notes payable outstanding at March 31, 2002 have terms ranging from 8 to 91 days and bear interest at the average effective rate of 2.0%.

NOTE 15 DEFERRED LIABILITIES AND CREDITS

	Note	2002	2001
		millions of dollars	
Northern development projects	19	**125**	164
Other employee benefits, excluding pensions		**66**	56
Refundable advances from customers		**18**	18
Decommissioning of thermal generating stations		**16**	15
Interest income and other credits		**5**	1
		230	254

NOTE 16 FOREIGN EXCHANGE CONTRACTS

As at March 31, 2002, foreign exchange contracts in the net amount of $20 million U.S. had been purchased forward at a weighted average exchange rate of $1.56 (2001 - $14 million U.S. at a weighted average exchange rate of $1.50).

Notes to the Consolidated Financial Statements

NOTE 17 FINANCIAL INSTRUMENTS

Derivative Financial Instruments

The Corporation mitigates gas price volatility to customers through the use of derivative products restricted to price swaps, call options and collars. A stringent control environment is maintained to manage risks associated with the application of derivatives. The application of derivative products is limited to those gas volumes which are certain to be required under the "warmest year" scenario and/or actual purchases for a specific month. Credit exposure is minimized by setting minimum credit rating requirements for counterparties, setting exposure limits and monitoring exposure against these limits, and when necessary, obtaining financial assurances.

The Corporation has entered into collar contracts until January 2003 to purchase 12 690 000 gigajoules of gas at a weighted average price of $3.55. The weighted average forward price per AECO at March 31, 2002 is $4.73. These contracts will be recorded in the month the gas is delivered.

Total derivative financial instruments that have not yet been settled constitute unrecognized financial liabilities and have an estimated fair value of $1.4 million.

The premiums paid in regards to cap contracts of $4 million have been deferred in prepaid expenses and are recognized in the cost of gas in the month the gas is delivered.

Fair Value

The estimated fair values of the Corporation's long-term debt and sinking fund investments are based on year-end market interest and exchange rates for similar debt and investment instruments. As at March 31, 2002, the estimated fair value of the Corporation's total long-term debt amounted to $8 596 million (2001 - $8 522 million). The estimated fair value of sinking fund investments which the Corporation uses for the purpose of repaying long-term debt amounted to $1 556 million at March 31, 2002 (2001 - $1 413 million).

The carrying values of foreign exchange contracts approximate fair value due to the relative stability of foreign exchange rates and the short period to maturity.

The carrying values of all other financial assets and liabilities approximate fair value

Notes to the Consolidated Financial Statements

Credit Risk

Credit risk on sinking fund investments, pension assets and short-term investments is minimized as the Corporation invests exclusively in government-guaranteed bonds or other highly rated investments. The majority of the Corporation's accounts receivable are owing from domestic consumers who are in diversified industries and from sales to other utilities.

Interest Rate Risk

Interest rate risk is associated with notes payable net of temporary investments, the current portion of long-term debt net of the current portion of sinking fund investments, and floating rate long-term debt which totalled $1 623 million at March 31, 2002 (2001 - $1 295 million). For information purposes, an increase of 1% in the interest rate would reduce net income by $16 million for March 31, 2002 (2001 - $13 million).

Manitoba Hydro utilizes interest rate swaps to manage the Corporation's interest rate exposure. These swaps include blended forward interest rate swaps that have been transacted on $2 billion of debt at blended rates ranging from 6.5% to 7.4%. The lower interest rates produced by these swap transactions reduced finance expense by approximately $20 million in the 2002 fiscal year (2001 - $23 million) which reflects the impacts of the cash requirements associated with these obligations.

NOTE 18 COMMITMENTS

Outstanding commitments, principally for construction, are approximately $158 million (2001 - $185 million).

NOTE 19 NORTHERN DEVELOPMENT PROJECTS

The Corporation is party to an agreement dated December 16, 1977, with Canada, the Province of Manitoba and the Northern Flood Committee Inc., representing the five First Nations in the communities of Cross Lake, Nelson House, Norway House, Split Lake and York Landing. This agreement, in part, provides for compensation and remedial measures necessary to ameliorate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

Expenditures incurred to mitigate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects amounted to $30 million during the year (2001 - $22 million). To March 31, 2002, $471 million (2001 - $441 million) has been spent in mitigating and compensating the project-related impacts.

The Corporation has also entered into agreements with the Province of Manitoba whereby the Corporation has assumed obligations of the Province with respect to northern development projects. The Corporation has assumed obligations, a portion of which remains outstanding, totaling $136 million (2001 - $154 million) for which water power rental charges were fixed until March 31, 2001. In recognition of the anticipated payments to be incurred, the Corporation has recorded a total liability of $125 million (2001 - $164 million). Reassessments of these liabilities will be made as settlements are achieved. There are other mitigation issues, the outcomes of which are not determinable at this time.

Notes to the Consolidated Financial Statements

NOTE 20 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments, electricity and gas. Each segment has its own particular economic characteristics and differs in nature, production processes and technology. The electricity segment encompasses the generation, transmission and distribution of electricity. The gas segment represents natural gas supply and distribution activities through the operations of Centra Gas. The following table contains information related to the operating results and assets by segment:

	Electricity		Gas		Total	
	2002	2001	**2002**	2001	**2002**	2001
			millions of dollars			
Revenue	**1 385**	1 269	**479**	504	**1 864**	1 773
Expenses						
Operating & administrative	**258**	246	**46**	44	**304**	290
Depreciation & amortization	**239**	227	**21**	22	**260**	249
Water rentals & assessments	**113**	56	**–**	–	**113**	56
Fuel & power purchased	**71**	48	**–**	–	**71**	48
Capital & other taxes	**38**	38	**17**	18	**55**	56
Cost of gas sold	**–**	–	**365**	384	**365**	384
Finance expense	**445**	387	**37**	33	**482**	420
Total expenses	**1 164**	1 002	**486**	501	**1 650**	1 503
Net income (loss)	**221**	267	**(7)**	3	**214**	270
Total assets	**9 786**	9 320	**619**	646	**10 405**	9 966
Cash provided from (used for) operations	**505**	461	**49**	(127)	**554**	334
Cash provided from (used for) financing	**115**	19	**(15)**	151	**100**	170
Cash used for investment	**604**	497	**34**	24	**638**	521

Notes to the Consolidated Financial Statements

NOTE 21 SUBSEQUENT EVENTS

a) DISTRIBUTION TO THE PROVINCE OF MANITOBA

The Government of Manitoba has introduced legislation which provides for a distribution from the retained earnings of Manitoba Hydro to the Province of Manitoba in each of the fiscal years 2002-03 and 2003-04. The amount of the distribution in 2002-03 will be equal to $150 million plus an additional amount not to exceed 75% of net income for that year. The amount of the distribution in 2003-04 will not exceed 75% of the Corporation's net income for that year. The total distribution to the Province of Manitoba over the two-year period will not exceed $288 million.

b) PURCHASE OF WINNIPEG HYDRO

The Corporation has entered into an agreement with the City of Winnipeg to purchase all of the net assets of Winnipeg Hydro. The consideration principally consists of annual payments to the City of Winnipeg of $25 million per annum in years 2002 to 2006, $20 million per annum in years 2007 to 2010, and $16 million per annum in year 2011 and each year thereafter.

Winnipeg Hydro is an electric utility with 94 000 customers and annual revenues of $125 million. The closing of the purchase agreement is subject to approval by the Manitoba Legislative Assembly.

NOTE 22 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2001 have been reclassified in order to conform to the presentation adopted in 2002.

AUDITORS’ REPORT

To the Board of Directors
Manitoba Lotteries Corporation

We have audited the balance sheet of Manitoba Lotteries Corporation as at March 31, 2002 and the statements of net income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
May 27, 2002

MANITOBA LOTTERIES CORPORATION

Balance Sheet - March 31, 2002
(in thousands)

	Notes	2002	2001
ASSETS			
Current Assets			
Cash		**$11,061**	$14,820
Accounts receivable	3	**9,406**	8,807
Inventories	4	**4,164**	4,626
Prepaid expense	5	**1,792**	1,846
		26,423	30,099
Capital Assets	6	**172,599**	168,376
Other Assets	7	**5,701**	-
		$204,723	$198,475
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accruals	8	**$25,365**	$18,988
Due to the Government of Manitoba		**3,234**	3,455
Due to organizations		**189**	114
Current portion of long term debt	9	**30,022**	35
		58,810	22,592
Long Term Debt	9	**135,542**	165,567
Accumulated Pension Benefits	2(e)	**371**	316
Retained Earnings		**5,000**	5,000
Equity Advance from the Government of Manitoba	10	**5,000**	5,000
		$204,723	$198,475

On behalf of the Board.

Director and Chair
of the Board

Director and Chair
of the Audit Committee

MANITOBA LOTTERIES CORPORATION

Statement of Net Income and Retained Earnings for the year ended March 31, 2002
(in thousands)

	Note	2002	2001
Revenue			
Gross revenue		**$555,563**	$539,103
Cost of sales		**162,430**	159,869
		393,133	379,234
Operating Expenses			
Operating expenditures		**108,977**	106,094
Depreciation and amortization		**16,293**	14,847
Interest expense		**10,676**	10,867
		135,946	131,808
Other Income		**1,503**	1,536
Income before Allocations and Payments		**258,690**	248,962
Allocations and Payments	12		
Provinces of Alberta and Saskatchewan		**2,606**	2,725
Government of Canada		**2,194**	2,190
Addictions Foundation of Manitoba		**1,754**	1,655
Charitable Organizations		**3,902**	3,937
		10,456	10,507
Net Income		**248,234**	238,455
Retained Earnings, beginning of the year		**5,000**	-
Allocation to the Government of Manitoba		**(248,234)**	(233,455)
Retained Earnings, end of the year		**$5,000**	$5,000

MANITOBA LOTTERIES CORPORATION

Statement of Cash Flows for the year ended March 31, 2002
(in thousands)

	2002	**2001**
Cash provided by operating activities		
Net Income	**$248,234**	$238,455
Non-cash charges to income:		
Depreciation and amortization	**16,372**	14,847
Deferred pension benefits	**55**	31
	264,661	253,333
Net changes in non-cash working capital items	**6,356**	(155)
Cash provided by operating activities	**271,017**	253,178
Cash provided by financing activities		
Cash distributions to the Government of Manitoba		
Current year	**(245,000)**	(235,000)
Prior year	**(3,455)**	(117)
Long term debt proceeds	**-**	165,000
Repayment of long term debt	**(25)**	(173,410)
Cash provided by financing activities	**(248,480)**	(243,527)
Cash investment activities		
Purchase of capital assets	**(20,595)**	(8,269)
Other assets	**(5,701)**	-
	(26,296)	(8,269)
(Decrease) increase in cash balance during the year	**(3,759)**	1,382
Cash balance, beginning of year	**14,820**	13,438
Cash balance, end of year	**$11,061**	$14,820

1. Background

The Manitoba Lotteries Foundation was established by the Manitoba Lotteries Foundation Act. On July 27, 1993, the Act was amended and continued under the Manitoba Lotteries Corporation Act. By consent of the Legislative Assembly of Manitoba, the organization continues its operations as a Crown Corporation under the name of the Manitoba Lotteries Corporation (MLC).

2. Significant Accounting Policies

(a) Revenue and expenses recognition

Revenue and expenses are recorded on an accrual basis except for lottery revenue, which is recorded as of the draw date for each ticket. Video lottery and other gaming revenue is recorded net of prizes paid.

(b) Capital assets and depreciation

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and amortized on a straight-line basis according to their estimated useful lives, as follows:

Furniture and equipment	5 years
Buildings and parking lots	30 years
Leasehold improvements	Over term of lease
Assets related to First Nations Casino	7 years

Interest on debt used to finance major additions to capital assets is capitalized during the construction phase. The interest cost is determined using the interest rate on incremental debt incurred by the Corporation to finance these capital assets. Interest capitalized is amortized over the same period as the related asset.

Capital assets related to First Nations Casinos under the Conduct and Management Agreement consist primarily of the cost of the gaming equipment and related hardware and software. The cost of the assets and related financing costs are amortized and recovered over the seven-year term of the Conduct and Management Agreement.

(c) Goods and Services Tax

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, the Corporation pays an additional 7% GST on gaming expenditures, including retailer commissions. This additional 7% is reported as GST expense.

The additional 7% GST paid on capital expenditures is included in the cost of the asset.

An input tax credit is claimed for GST paid on non-gaming expenditures.

2. **(d) Inventories**

Inventories are valued at the lower of cost or net realizable value.

(e) Pension costs

The Corporation makes contributions for employees and officers to a Money Purchase pension plan at prescribed rates. The pension expense related to this plan for the 2002 fiscal year is $1,262,000 (2001 - $757,000).

Certain other employees and officers of the Corporation are pensionable under the Civil Service Superannuation Fund (the Fund). The Corporation funded in total the actuarial present value of all prior accrued basic pension and indexing obligations as at December 31, 1997. The amount funded was $4.4 million. A reserve of $371,000 (2001 - $316,000) has been established as a pension liability for employees whose annual earnings exceed the limit under the Fund plan.

Effective January 1, 1998, the Corporation began matching employee contributions to the Fund at prescribed rates. Current service contributions are recorded as an operating expense. The pension expense related to this plan for the 2002 fiscal year is $90,000 (2001 - $132,000).

(f) Financial instruments

Financial risk

Financial risk is the risk to the Corporation's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest, though risks associated with interest rate fluctuations are mitigated through the use of fixed-rate long-term debt.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation mitigates this risk through its credit management and collection practices.

(g) Foreign currency translation

Monetary assets and liabilities are translated at the year-end exchange rates. Non-monetary assets and liabilities are translated at the historical exchange rates. Statement of operations items are translated at the rate of exchange in effect as at the transaction date. Translation gains and losses are included in the period in which they arise.

(h) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(i) Promotional allowances

The retail value of food, beverages and other items provided on a complimentary basis to customers has been included in non-gaming revenues and a corresponding amount has been deducted as promotional allowances. Costs of providing promotional allowances have been included in non-gaming expenses.

3. Accounts Receivable (in thousands)

	2002	2001
Trade	$ 4,025	$ 4,265
Western Canada Lottery Corporation	3,314	3,616
Miscellaneous	1,297	162
Restaurant working capital advance	400	400
Employee computer program	264	259
Lottery retailers	106	105
	$ 9,406	$ 8,807

The Corporation is the sole distributor of lottery products in Manitoba and is a partner in the Western Canada Lottery Corporation.

4. Inventories (in thousands)

	2002	2001
Replacement parts	$ 3,571	$ 3,627
Breakopen tickets	262	544
Bingo paper	213	309
Store merchandise	118	146
	$ 4,164	$ 4,626

5. Prepaid Expense (in thousands)

	2002	2001
Manitoba Gaming Control Commission fees	$ 824	$ 831
Insurance	277	142
Warranties and maintenance contracts	223	296
Miscellaneous	191	139
Deposit on entertainment contracts	99	250
Rent	91	86
Trade deposits	87	102
	$ 1,792	$ 1,846

6. Capital Assets (in thousands)

2002

	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	$ 4,922	$ -	$ 4,922
Furniture and equipment	123,542	99,637	23,905
Buildings and parking lots	162,959	24,615	138,344
Leasehold improvements	5,543	4,952	591
Capital leases	644	97	547
Assets related to First Nations Casino	4,368	78	4,290
	$ 301,978	$ 129,379	$ 172,599

2001

	Cost	Accumulated Depreciation and Amortization	Net Book Value
Land	$ 4,922	$ -	$ 4,922
Furniture and equipment	112,252	92,877	19,375
Buildings and parking lots	161,239	18,477	142,762
Leasehold improvements	5,543	4,794	749
Capital leases	644	76	568
Assets related to First Nations Casino	-	-	-
	$ 284,600	$ 116,224	$ 168,376

7. Other Assets

The Corporation entered into an agreement in December 2001 for the right to use 22.28 acres of land for 200 years. The land will be used for expanded parking facilities for the McPhillips Street Station Casino. The cost will be amortized over the life of the casino beginning in the 2003 fiscal year.

8. Accounts Payable and Accruals (in thousands)

	2002	2001
Trade	$ 16,537	$ 12,808
Vacation payable	3,536	2,658
Land lease	3,200	-
Interest payable	956	1,167
Jackpot provision	761	2,218
Government of Manitoba	375	137
	$ 25,365	$ 18,988

9. Long Term Debt (in thousands)

	2002	2001
Province of Manitoba, due August 30, 2010. Rate of 6.95%.	$ 135,000	$ 135,000
Province of Manitoba, due January 17, 2003. Rate based on Bankers Acceptance plus ¼ of 1%.	30,000	30,000
Capital lease obligations	564	602
	165,564	165,602
Less current portion of long term debt and capital lease obligation	30,022	35
	$ 135,542	$ 165,567

It is management's intent to renew the $30,000,000 of long-term debt maturing in January, 2003.

10. Equity Advance

The Equity advance reflects $5,000,000 for working capital provided to the Corporation by the Government of Manitoba.

11. Segmented Information

The Corporation's management has designated the areas of Video Lotto, Casinos and Lottery as its operating segments. A summary of these operating segments is as follows:

2002	Video Lotto	Casinos	Lottery	Administrative	Total
Revenue					
Gross revenue	$ 214,112	$ 178,463	$ 162,988	$ -	$ 555,563
Cost of sales	59,029	-	103,401	-	162,430
	155,083	178,463	59,587	-	393,133
Expenses					
Operating expenditures	11,169	84,076	3,389	10,343	108,977
Depreciation and amortization	522	14,767	45	959	16,293
Interest	1,967	8,314	241	154	10,676
	13,658	107,157	3,675	11,456	135,946
Other Income	-	-	690	813	1,503
Income before Allocations and Payments	141,425	71,306	56,602	(10,643)	258,690
Allocations and Payments					
Provinces of Alberta and Saskatchewan	-	-	2,606	-	2,606
Government of Canada	-	-	2,194	-	2,194
Addictions Foundation of Manitoba	-	-	-	1,754	1,754
Charitable organizations	-	3,902	-	-	3,902
	-	3,902	4,800	1,754	10,456
Net Income	$ 141,425	$ 67,404	$ 51,802	$ (12,397)	$ 248,234

11. Segmented Information (continued)

2001	Video Lotto	Casinos	Lottery	Administrative	Total
Revenue					
Gross revenue	$ 206,660	$ 168,163	$ 164,280	$ -	$ 539,103
Cost of sales	56,624	-	103,245	-	159,869
	150,036	168,163	61,035	-	379,234
Operating Expenses					
Operating expenditures	11,071	82,525	3,478	9,020	106,094
Depreciation and amortization	900	12,679	66	1,202	14,847
Interest expense	1,873	8,624	229	141	10,867
	13,844	103,828	3,773	10,363	131,808
Other Income	-	-	975	561	1,536
Income before Allocations and Payments	136,192	64,335	58,237	(9,802)	248,962
Allocations and Payments					
Provinces of Alberta and Saskatchewan	-	-	2,725	-	2,725
Government of Canada	-	-	2,190	-	2,190
Addictions Foundation of Manitoba	-	-	-	1,655	1,655
Charitable organizations	-	3,937	-	-	3,937
	-	3,937	4,915	1,655	10,507
Net Income	$ 136,192	$ 60,398	$ 53,322	$ (11,457)	$ 238,455

12. Allocations and Payments

(a) Provinces of Alberta and Saskatchewan

The Corporation is a partner in the Western Canada Lottery Corporation (WCLC). An agreement is in place with the other partners to provide economic benefit equalization. The cost to the Corporation for this allocation for the 2002 fiscal year is $2,606,000 (2001 - $2,725,000).

(b) Payment to Government of Canada

Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000,000, adjusted for inflation, to the Federal Government. The Province of Manitoba's share for the 2002 fiscal year is $2,194,000 (2001 - $2,190,000).

(c) Addictions Foundation of Manitoba

The Corporation provides funding to the Addictions Foundation of Manitoba (AFM) for its problem gambling services programming. Funding provided to the AFM for the 2002 fiscal year is $1,754,000 (2001 - $1,655,000).

(d) Charitable organizations

The Corporation provides over four hundred charitable organizations the opportunity to raise funds for their organizations by assisting the Corporation in the bingo events held at its casinos. Payments made to these organizations for the 2002 fiscal year are $3,902,000 (2001 - $3,937,000).

13. First Nations Casino

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the Criminal Code of Canada, and has appointed MLC to act as its agent in the Conduct and Management of the gaming regime. Through a selection process, the Government has provided certain First Nations the opportunity to operate casinos, with MLC maintaining the Conduct and Management authority over these casinos. MLC is allowed to recover its expenses in carrying out its Conduct and Management role.

14. (a) Lease obligations

The future minimum rental payments relating to operating leases are as follows:

	(in thousands)
2003	**$ 660**
2004	**616**
2005	**538**
2006	**505**
2007	**361**
Subsequent years	**1,742**
	$ 4,422

(b) Capital commitments

The Corporation has no commitments on outstanding capital projects at March 31, 2002 (2001 - $1.4 million).

15. Contingencies

Various legal actions have been commenced against the Corporation and the Corporation or its insurers are defending against all claims. While the outcome of these claims cannot be determined, management is of the opinion that the appropriate provisions have been made in the accounts, and the ultimate outcome will not have a material adverse effect on the Corporation's financial position.

16. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

ANDERSEN

AUDITORS' REPORT

To the Board of Directors of
Manitoba Product Stewardship Corporation,

We have audited the balance sheets of **MANITOBA PRODUCT STEWARDSHIP CORPORATION** as at March 31, 2002 and 2001 and the statements of operations and fund balance and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Arthur Andersen LLP

Winnipeg, Manitoba
May 24, 2002

Manitoba Product Stewardship Corporation

BALANCE SHEETS

March 31	2002	2001
	$	$
ASSETS		
CURRENT ASSETS		
Cash and term deposits (Note 2)	**7,265,026**	7,611,504
Interest receivable	**17,646**	48,443
Levies receivable	**589,886**	597,050
Prepaid expenses and deposits	**10,183**	9,302
	7,882,741	8,266,299
FURNITURE AND EQUIPMENT (Note 4)	**29,038**	44,034
	7,911,779	8,310,333
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	**131,379**	261,627
Recycling support payments payable	**1,435,367**	1,245,771
Provision for credits on levy revenue	**42,914**	42,914
	1,609,660	1,550,312
FUND BALANCE		
Multi-Material WRAP Fund	**6,302,119**	6,760,021
	7,911,779	8,310,333

Approved on behalf of the Board:

_______________ Director

Gerard F. Dorge Director

The accompanying notes are an integral part of these financial statements.

Manitoba Product Stewardship Corporation

STATEMENTS OF OPERATIONS AND FUND BALANCE
For the years ended March 31

	2002	2001
	$	$
REVENUE		
Beverage levy revenue	6,996,701	6,843,592
Levy rebates	(176,613)	(168,416)
PST rebate - Province of Manitoba (Note 3)	-	(996)
Interest (Note 2)	261,632	415,577
TOTAL REVENUE	7,081,720	7,089,757
PROGRAM EXPENSES		
MUNICIPAL PROGRAMS		
Recycling Support Payments to municipalities	5,814,097	5,188,520
Municipal support	113,775	369,832
	5,927,872	5,558,352
STEWARD PROGRAMS		
Compliance of WRAP Act	46,139	44,673
SCHOOL EDUCATION		
STAR – school payments	360,000	337,000
STAR Plus program	136,306	123,931
School education	126,203	167,317
	622,509	628,248
PROGRAM PROMOTION		
Program promotion/sponsorship	66,213	69,500
Program advertising	104,628	304,741
Anti-litter campaign	118,763	140,954
Public space recycling	3,619	6,338
ICI study	2,140	10,700
MPSC – corporate website	1,828	11,354
	297,191	543,587
TOTAL PROGRAM EXPENSES	6,893,711	6,774,860

The accompanying notes are an integral part of these financial statements.

Manitoba Product Stewardship Corporation

STATEMENTS OF OPERATIONS AND FUND BALANCE (continued)
For the years ended March 31

	2002	2001
	$	$
ADMINISTRATIVE EXPENSES		
Board members' expenses	**14,371**	6,403
Communication	**16,474**	22,061
Conference expenses	**4,630**	8,759
Contract financial management	**31,458**	26,750
Depreciation	**22,882**	55,169
Equipment, leasing, repairs and maintenance	**31,525**	30,399
Insurance	**7,190**	6,482
Loss on asset disposal	**1,240**	-
Office	**64,662**	90,650
Professional fees	**23,307**	17,115
Promotion	**3,478**	3,041
Rent	**43,123**	42,359
Salaries, wages and benefits	**371,325**	377,687
Subscriptions	**6,940**	8,477
Travel and automotive	**3,306**	9,367
TOTAL ADMINISTRATIVE EXPENSES	**645,911**	704,719
EXCESS OF EXPENSES OVER REVENUE	**(457,902)**	(389,822)
FUND BALANCE, beginning of year	**6,760,021**	7,149,843
FUND BALANCE, end of year	**6,302,119**	6,760,021

The accompanying notes are an integral part of these financial statements.

Manitoba Product Stewardship Corporation

STATEMENTS OF CASH FLOWS
For the years ended March 31

	2002	2001
	$	$
OPERATING ACTIVITIES		
Excess of expenses over revenue	(457,902)	(389,822)
Items not affecting cash		
Depreciation	22,882	55,169
Loss on disposal of assets	1,240	-
	(433,780)	(334,653)
Net change in non-cash operating assets and liabilities		
Interest receivable	30,797	(1,196)
Levies receivable	7,164	5,260
PST rebate receivable	-	80,000
Prepaid expenses and deposits	(881)	(667)
Accounts payable and accrued liabilities	(130,248)	68,747
Recycling support payments payable	189,596	607,830
	(337,352)	425,321
INVESTING ACTIVITY		
Purchase of furniture and equipment	(9,126)	(29,327)
INCREASE (DECREASE) IN CASH AND TERM DEPOSITS	(346,478)	395,994
CASH AND TERM DEPOSITS, beginning of year	7,611,504	7,215,510
CASH AND TERM DEPOSITS, end of year	7,265,026	7,611,504

The accompanying notes are an integral part of these financial statements.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Manitoba Product Stewardship Corporation ("MPSC") was established under the Waste Reduction and Prevention Act ("WRAP") - Multi-Material Stewardship (Interim Measures) Regulations (the "Regulations") with the following objectives:

a) to establish and administer a waste reduction and prevention program for designated materials for Manitoba;
b) to provide for the effective, efficient and economical management of waste designated materials; and
c) to administer the Multi-Material WRAP Fund.

The Multi-Material WRAP Fund is an industry-operated fund which provides for, among other initiatives, recycling support payments to municipal and local governments for eligible materials recovered from residential waste and delivered to an approved recycling facility. The Fund is currently funded by collection of levies on beverage containers supplied by a steward of beverage containers (Product Steward) to be consumed in Manitoba. MPSC plans to collect levies on other designated materials in the future.

Levy revenue and Recycling Support Payments to municipalities

Levy revenue is charged on all non-deposit (excluding dairy) beverage containers supplied for consumption in Manitoba, subject to certain exemptions, by a Product Steward. Pursuant to the Regulations, a Product Steward is defined as the first person or business in Manitoba who, in the course of business, supplies beverages in containers to another person or business. Beverage levy revenue is recognized when the amount is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Product Stewards are eligible for credits if the beverage containers on which levies have been previously paid were supplied to consumers outside of Manitoba or if the levies were inadvertently paid by two Product Stewards on the same beverage containers. Levies are collected and credits are paid based on self-assessments as reported by Product Stewards. MPSC records beverage levy revenue net of a provision for estimated credits.

Recycling Support Payments to municipalities are paid to registered Manitoba municipalities based on the tonnage of eligible materials delivered to an approved recycling facility as reported by the municipalities to MPSC. MPSC records a provision for estimated recycling support payments payable to registered municipalities who have not yet filed their recycling reports.

The above-noted provisions have been determined based on the results of MPSC's periodic compliance reviews of Product Stewards as well as management's experience and industry knowledge.

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Furniture and equipment

Furniture and equipment are recorded at cost less accumulated depreciation. Depreciation is provided for by the following annual rates and methods:

Computer hardware	30%	Declining balance
Computer software	100%	Straight-line
Furniture and fixtures	20%	Declining balance

Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. CASH AND TERM DEPOSITS

Included in cash and term deposits are term deposits recorded at cost, held in trust by the Department of Finance of the Province of Manitoba. The term deposits bear interest at 1.8 to 2.0% (2001 - 5.15 to 5.30%) per annum and mature on April 22, 2002 to May 13, 2002.

3. PST REBATE RECEIVABLE

The Province of Manitoba, through the Department of Environment, provided a grant to MPSC based on the provincial sales tax (PST) collected by the Province with respect to the WRAP levy on beverage containers. The PST rebate receivable is accrued based on claims filed and an estimated claim for the quarter ended March 31 of the respective year. Effective April 1, 2000, the Province of Manitoba terminated the PST rebate.

4. FURNITURE AND EQUIPMENT

			2002	2001
	Cost	Accumulated Depreciation	Net	Net
	$	$	$	$
Computer hardware	74,496	53,326	21,170	20,932
Computer software	136,963	136,963	-	13,267
Furniture and fixtures	21,307	13,439	7,868	9,835
	232,766	203,728	29,038	44,034

5. LEASE COMMITMENTS

MPSC rents office space and equipment under various leases which expire in fiscal 2003 through 2004. Future minimum lease payments required are as follows:

	2002
	$
2003	61,285
2004	43,154

AUDITORS' REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

We have audited the balance sheets of Manitoba Public Insurance Corporation as at February 28, 2002 and 2001 and the statements of operations and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at February 28, 2002 and 2001 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Arthur Andersen LLP
Winnipeg, Manitoba
April 24, 2002

ACTUARY'S REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities of Manitoba Public Insurance Corporation for its balance sheet at February 28, 2002 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.

Jim Christie
James K. Christie
Fellow, Canadian Institute of Actuaries
April 24, 2002

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

		YEARS ENDED FEBRUARY 28	
		2002	2001
	Note	*(in thousands of dollars)*	
REVENUE			
Premiums written		$ 595,171	$ 539,054
Premiums earned	7	$ 567,585	$ 538,173
Service fees		14,914	15,175
Total earned revenues		582,499	553,348
CLAIMS COSTS			
Claims incurred	7		
Current year		509,376	463,579
Prior years	9	(6,287)	(32,149)
		503,089	431,430
Claims expense		65,491	58,741
Loss prevention/Road safety		6,673	6,131
		575,253	496,302
EXPENSES			
Commissions		29,133	29,796
Operating		45,535	45,547
Premium taxes		15,030	16,493
Regulatory/Appeal		1,927	1,880
		91,625	93,716
Total claims and expenses		666,878	590,018
Underwriting (loss)		(84,379)	(36,670)
Investment income, net	10	67,887	83,298
Net income (loss) before the undernoted		(16,492)	46,628
Discontinued operations	11	436	(148)
Net income (loss) from annual operations	13	(16,056)	46,480
Surplus distribution	12	(80,825)	—
Net income (loss) after surplus distribution		(96,881)	46,480
Allocation from (to) basic insurance rate stabilization reserve	14	92,532	(38,100)
		(4,349)	8,380
Retained earnings balance beginning of year		87,384	79,004
Retained earnings balance end of year		$ 83,035	$ 87,384

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET

	Note	FEBRUARY 28 2002	 2001
		(in thousands of dollars)	
ASSETS			
Cash and investments	4	$ 1,175,704	$ 1,154,994
Due from other insurance companies		1,524	166
Accounts receivable		136,514	137,906
Deferred policy acquisition costs		11,588	17,845
Reinsurers' share of unearned premiums		8,515	11,786
Reinsurers' share of unpaid claims	9	61,499	42,126
Capital assets	5	27,183	25,064
Deferred development costs		8,949	12,569
		1,431,476	1,402,456
LIABILITIES, BASIC INSURANCE RATE STABILIZATION RESERVE AND RETAINED EARNINGS			
Due to other insurance companies		9,733	15,728
Accounts payable and accrued liabilities		18,900	19,163
Unearned premiums		297,952	270,029
Provision for employee current benefits		8,867	8,084
Provision for employee future benefits	6	87,086	80,731
Provision for unpaid claims	9	875,442	778,344
		1,297,980	1,172,079
Basic insurance rate stabilization reserve	14	50,461	142,993
Retained earnings		83,035	87,384
		133,496	230,377
		$ 1,431,476	$ 1,402,456

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Shari Decter Hirst
Chairperson

Paul Moist
Director

STATEMENT OF CASH FLOWS

	Note	YEARS ENDED FEBRUARY 28 2002	 2001
		(in thousands of dollars)	
RESOURCES PROVIDED FROM (APPLIED TO) OPERATIONS			
Net income (loss) after surplus distribution		$ (96,881)	$ 46,480
Discontinued operations		(436)	148
Non-cash items:			
Amortization of capital assets and deferred development costs		7,213	7,840
Amortization of bond discount and premium		2,647	3,102
Gain on sale of investments		(15,764)	(2,188)
Write-down of investment		2,645	2,207
		(100,576)	57,589
Increase (decrease) in cash and short-term investments from discontinued operations		102	(4,934)
Net change in non-cash balances		116,458	57,719
		15,984	110,374
RESOURCES PROVIDED FROM (APPLIED TO) INVESTING ACTIVITIES			
Acquisition of capital assets net of proceeds from disposals		(5,711)	(7,907)
Purchase of investments		(475,065)	(473,062)
Proceeds from sale of investments		499,956	383,373
Deferred development costs incurred		—	(1,031)
		19,180	(98,627)
INCREASE IN CASH AND SHORT-TERM INVESTMENTS		35,164	11,747
Cash and short-term investments beginning of year		77,955	66,208
CASH AND SHORT-TERM INVESTMENTS END OF YEAR	4	$ 113,119	$ 77,955

The accompanying notes are an integral part of these financial statements.

1 | STATUS OF THE CORPORATION

The Manitoba Public Insurance Corporation (the "Corporation") was incorporated as a Crown Corporation under The Automobile Insurance Act in 1970. In 1974, The Automobile Insurance Act was revised and became The Manitoba Public Insurance Corporation Act (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba.

Under the provisions of its Act and regulations, the Corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies.

2 | BASIS OF REPORTING

The financial statements of the Corporation are in such form as prescribed by Section 43(1) of The Manitoba Public Insurance Corporation Act and are presented in accordance with Canadian generally accepted accounting principles.

The external actuary is appointed by the Board of Directors of the Corporation. With respect to preparation of these financial statements, the external actuary is required to carry out a valuation of the policy liabilities and to report thereon to the Corporation's Board of Directors.

The external actuary, in his verification of the information prepared by the Corporation used in the valuation, also uses the work of the external attest auditors.

The external attest auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the Corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external attest auditors also make use of the work of the external actuary and his report on the Corporation's policy liabilities. The external attest auditors' report outlines the scope of their audit and their opinion.

3 | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary outlines those accounting policies followed by the Corporation which have a significant effect on the financial statements.

Investments

Investments in bonds are carried at amortized costs. The applicable discounts or premiums are amortized over the life of the bond. Funds available for investments are invested by the Department of Finance, on behalf of the Corporation, in accordance with Section 12(1) of The Manitoba Public Insurance Corporation Act.

Investments in equities and other investments are carried at cost. Dividends on equity investments are recognized on an accrual basis.

Gains and losses on investments are recognized on the date of sale. Investments are written down when there is a decline in value that is considered other than temporary.

The Corporation has invested in an equity-linked note that is similar to a bond instrument, except for the interest component which is indexed to the Standard & Poor's 500 Composite Stock Price Index. Any interest component arising from changes in the index is recorded currently in the Statement of Operations and Retained Earnings under the heading "Investment income, net".

Total Return Swaps

The Corporation invests in total return swaps as part of its investment strategy to provide limited exposure to certain equity markets. Total return swaps are financial instruments whose value is derived from an underlying financial instrument, product or index. Total return swaps are recorded at fair value at the balance sheet date and presented under the heading "Cash and investments". Any gains or losses arising from changes in fair value are recorded currently in the Statement of Operations and Retained Earnings under the heading "Investment income, net".

Deferred Policy Acquisition Costs

Commissions and premium taxes are deferred and charged to expense over the term of the insurance contract to which such costs relate.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis which will amortize the cost of each asset over its estimated useful life:

Land improvements	25 years
Buildings	40 years
Equipment:	
• Data processing	3 years
• Automotive	5 years
• Other	10 years

Leasehold improvements are amortized over the term of the lease plus the first renewal period.

Deferred Development Costs

The costs of developing major information systems which are expected to be of continuing benefit to the Corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and are amortized on a straight-line basis over five years.

Unearned Premiums

The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

Provision for Employee Current Benefits

The provision for employee current benefits includes an accrual for vacation pay determined in accordance with the Collective Agreement.

Provision for Employee Future Benefits

Included in the provision for employee future benefits are the pension benefit plan and other benefit plans.

Pension Benefit Plan

The employees of the Corporation are members of a defined benefit pension plan administered under the Civil Service Superannuation Act. Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the Corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Experience gains and losses are amortized over the expected average remaining service life of the employee group.

Other Benefit Plans

Other benefit plans consist of post-retirement extended health and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the Corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs.

Employees of the Corporation are entitled to severance pay in accordance with the Collective Agreement and Corporation policy. The provision for severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the Corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire. The resulting provision is amortized over the expected average remaining service life of the employee group.

Provision for Unpaid Claims

The provision for unpaid claims represents an estimate for the full amount of all costs, including adjustment expenses, and the projected final settlements of claims incurred to the balance sheet date. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as incurred claims in the current period. The provision does not consider the time value of money and does not contain an explicit provision for adverse deviation except for accident benefit claims.

Salvage and Subrogation

Recoveries from salvage and subrogation are recorded as an offset to claim costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

Premium Deficiencies

A premium deficiency exists when future claims and related expenses exceed unearned premiums. In calculating a premium deficiency, the Corporation recognizes anticipated investment income.

Premium deficiencies are recognized first by writing down the deferred policy acquisition costs with any remainder recognized as a liability.

Allocation of Revenue, Claims Incurred and Expenses

Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Investment income is allocated to the automobile insurance division lines of business and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business and the discontinued general insurance division on the following basis:

i) Identifiable direct expenses are charged to each division.

ii) Where direct allocation is not possible, expenses are prorated to each division based mainly on factors such as space, number of employees and time usage. The formulas developed for the allocation of expenses are approved by the Board of Directors.

Reinsurance Ceded

Premiums, claims and expenses reported in the statement of operations and retained earnings are reported net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned commissions is recognized as a liability in a manner which is consistent with the method used by the Corporation in determining deferred policy acquisition costs.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used by the Corporation in determining the unearned premium liability.

Foreign Currency Translation

Monetary items denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

Basic Insurance Rate Stabilization Reserve

The basic insurance rate stabilization reserve relates to basic compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors

Retained Earnings

Retained earnings are comprised of the accumulation of net income or losses for the extension, special risk and discontinued lines of business.

Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4 | CASH AND INVESTMENTS

	2002		2001	
	CARRYING VALUE	FAIR VALUE	CARRYING VALUE	FAIR VALUE
	(in thousands of dollars)			
Cash and short-term investments	$ 113,119	$ 113,119	$ 77,955	$ 77,955
Bonds				
Federal	133,219	133,020	144,181	146,587
Manitoba:				
Provincial	154,163	157,884	87,991	90,762
Municipal	47,400	47,946	81,626	87,485
Hospitals	16,311	16,332	17,523	17,541
Schools	254,907	254,907	239,875	239,875
Other Provinces	247,586	257,485	271,509	281,654
Corporations	86,757	90,418	125,499	128,238
Equity-linked note	20,000	20,000	20,000	20,000
	960,343	977,992	988,204	1,012,142
Other	4,237	4,237	5,237	5,237
Equity investments and total return swaps	98,005	110,417	83,598	92,481
	102,242	114,654	88,835	97,718
	$ 1,175,704	$ 1,205,765	$ 1,154,994	$ 1,187,815

Fair value, for cash and short-term investments, approximate carrying value due to the short-term maturity of these financial instruments.

The fair value of bonds for federal, provincial, certain municipal, other provinces and corporations is estimated based on bid prices of these or similar investments.

The fair value of certain municipal, hospitals, school bonds and other is based on their carrying value which approximates market value.

The fair value of the equity-linked note and equity investments is based upon quoted market values. External fund managers have been allocated a proportion of the Corporation's investment pool to invest in equity markets with an objective of generating a long-term return of 1.5% over the benchmark indices.

The fair value of the portfolio of total return swaps is based upon market prices of the underlying stock market indices at the balance sheet date, net of estimated unwinding costs.

Investment Risk

Investments carry certain financial risks including interest rate, cash flow and credit risk. The Corporation manages these risks through the Investment Committee of the Board, which meets quarterly to discuss strategy. The investment objectives and goals of the Corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs. Credit risk is also managed through the use of master netting agreements in all total return swap contracts. Such agreements provide for the simultaneous close-out and netting of transactions with a counterparty in the event of default.

Significant terms and conditions, exposure to interest rate and credit risks on investments are:

i) Cash and short-term investments

Cash consists of cash net of cheques issued in excess of amounts on deposit. Included in cash and short-term investments are funds held in trust on behalf of other insurance companies in the amount of $3,700,000 (2001 - $2,105,000).

Short-term investments have a total principal amount of $106,280,000 (2001 - $77,944,000) comprised of provincial short-term deposits with effective interest rates of 1.95% to 2.10% (2001 – 5.05% to 5.75%), with interest receivable at varying dates.

ii) Bonds - interest rate risk

		2002		2001	
	INTEREST RECEIVABLE BASIS	EFFECTIVE RATE	COUPON RATE	EFFECTIVE RATE	COUPON RATE
		% RANGE		% RANGE	
Federal	semi-annual	2.49 to 5.80	4.00 to 10.00	4.51 to 5.72	4.25 to 10.00
Provincial	semi-annual	3.00 to 6.28	4.75 to 10.50	4.84 to 6.26	4.75 to 10.75
Municipal	semi-annual	3.07 to 16.10	6.00 to 17.50	5.01 to 17.32	6.00 to 18.50
Hospitals	semi-annual	10.13 to 16.00	10.13 to 16.00	10.13 to 16.00	10.13 to 16.00
Schools	semi-annual	5.66 to 14.05	5.75 to 14.75	5.66 to 14.10	5.75 to 14.75
Corporations	semi-annual	2.93 to 8.93	5.00 to 11.25	4.81 to 9.83	5.00 to 11.25

The Corporation has allocated investments with an average yield of 10.6% (2001 - 10.4%) to maturity to fully fund pre-March 1, 1994 discounted unpaid claims of approximately $26.5 million.

iii) Bonds - maturity profile

2002	WITHIN ONE YEAR	ONE YEAR TO FIVE YEARS	AFTER FIVE YEARS	TOTAL CARRYING VALUE
	(in thousands of dollars)			
Federal	$ 1,006	$ 30,742	$ 101,471	$ 133,219
Manitoba:				
Provincial	—	10,720	143,443	154,163
Municipal	13,503	5,944	27,953	47,400
Hospitals	308	834	15,169	16,311
Schools	23	15,139	239,745	254,907
Other Provinces	—	16,978	230,608	247,586
Corporations	5,007	24,697	57,053	86,757
	19,847	105,054	815,442	940,343
Equity-linked note	—	—	20,000	20,000
	$ 19,847	$ 105,054	$ 835,442	$ 960,343

2001	WITHIN ONE YEAR	ONE YEAR TO FIVE YEARS	AFTER FIVE YEARS	TOTAL CARRYING VALUE
	(in thousands of dollars)			
Federal	$ 5,170	$ 55,202	$ 83,809	$ 144,181
Manitoba:				
Provincial	—	20,917	67,074	87,991
Municipal	14,302	19,434	47,890	81,626
Hospitals	457	1,700	15,366	17,523
Schools	—	10,016	229,859	239,875
Other Provinces	8,352	122,708	140,449	271,509
Corporations	—	38,917	86,582	125,499
	28,281	268,894	671,029	968,204
Equity-linked note	—	—	20,000	20,000
	$ 28,281	$ 268,894	$ 691,029	$ 988,204

Total Return Swaps

In the normal course of operations, the Corporation enters into total return swaps to provide a return based upon an underlying Canadian and/or USA equity index. The agreements provide that, at predetermined future dates, the Corporation pays a fixed interest amount based upon a notional principal amount and receives a return based upon the underlying equity index.

The notional amounts of total return swaps are not recorded as assets or liabilities on the balance sheet as they represent the face amount of the contract to which a rate or price is applied to determine the amount of cash flows to be exchanged under the contracts. Notional amounts represent the volume of outstanding transactions and do not represent the potential gain or loss associated with market risk or credit risk of such instruments.

At February 28, 2002 the notional amount of total return swaps was $83,124,000 (2001 - $49,421,000). All total return swaps have a residual term to contractual maturity of one year or less.

As at February 28, 2002, the Corporation had a commitment to purchase a total return swap with a notional amount of $36,000,000, to replace total return swaps with a combined notional amount of $27,405,000 that mature March 5, 2002.

5 | CAPITAL ASSETS

	2002			2001
	COST	ACCUMULATED AMORTIZATION	CARRYING VALUE	CARRYING VALUE
	(in thousands of dollars)			
Land	$ 1,919	$ —	$ 1,919	$ 1,919
Land improvements	3,668	1,266	2,402	2,017
Buildings	22,398	7,558	14,840	13,717
Equipment	38,482	30,460	8,022	7,411
	66,467	39,284	27,183	25,064
Leasehold improvements	1,527	1,527	—	—
	$ 67,994	$ 40,811	$ 27,183	$ 25,064

6 | PROVISION FOR EMPLOYEE FUTURE BENEFITS

The Corporation has a number of defined benefit plans providing pension and other benefits to eligible employees. The results from the latest valuation as at December 31, 2001 projected to February 28, 2002 and the major assumptions used are as follows:

	PENSION BENEFIT PLAN		OTHER BENEFIT PLANS	
	2002	2001	2002	2001
Economic assumptions:				
Discount rate	6.25%	6.50%	6.25%	6.50%
Inflation rate	2.00%	2.00%	—	—
Expected salary increase	3.00%	3.00%	—	—
Expected health care cost increase	—	—	2.50%	2.50%
	(in thousands of dollars)			
Plan valuations:				
Present value of plan benefits	$ 77,486	$ 67,225	$ 12,149	$ 10,775
Unamortized actuarial gains (losses)	(2,549)	2,731	—	—
Provision for employee future benefits	$ 74,937	$ 69,956	$ 12,149	$ 10,775
Financial information:				
Plan expense	$ 6,975	$ 5,123	$ 1,896	$ 2,550
Allocated to investment income (Note 10)	(3,876)	(2,972)	—	—
	$ 3,099	$ 2,151	$ 1,896	$ 2,550
Employee contributions	$ 3,331	$ 2,846	—	—
Benefits/premiums paid	$ 1,994	$ 1,658	$ 522	$ 508

The Corporation has not segregated investment assets to fund the benefit plans. Funding occurs as benefits are paid to employees

7 | REINSURANCE

The Corporation follows the practice of obtaining reinsurance to limit its exposure to losses. Under agreements in effect at February 28, 2002, these reinsurance agreements limit the Corporation's exposure to a maximum amount of $2.0 million (2001 - $1.0 million) on any one occurrence.

The reinsurance arrangements also limit the Corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $6.7 million (2001 - $5.0 million). These arrangements protect the Corporation against losses up to $183.3 million (2001 - $200.0 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the Corporation.

The Corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency.

The figures shown in the statement of operations and retained earnings, excluding discontinued operations, are net of the following amounts relating to reinsurance ceded to other companies.

	2002	2001
	(in thousands of dollars)	
Premiums earned	$ 14,246	$ 11,581
Claims incurred	$ 24,710	$ 7,403

The Corporation holds collateral in regards to unregistered reinsurance in the form of amounts on deposit and letters of credit of $5.6 million (2001 - $4.0 million).

8 | OPERATING LEASE COMMITMENTS

The Corporation is committed to make minimum annual operating lease payments for buildings and equipment. The minimum annu lease payments required are approximately as follows:

FISCAL YEAR	MINIMUM LEASE PAYMENTS (in thousands of dollars)
2003	$ 2,787
2004	$ 2,512
2005	$ 2,085
2006	$ 2,063
2007	$ 2,063
thereafter	$ 2,063

9 | PROVISION FOR UNPAID CLAIMS

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends and effects of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claim trends and expectation on the future development of claims. The process of establishing this provision necessarily involves risks which could cause the actual results to deviate, perhaps substantially, from the best determinable estimate.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

	2002		2001	
	GROSS	REINSURERS' SHARE	GROSS	REINSURERS' SHARE
	(in thousands of dollars)			
Automobile Insurance Division				
Liability	$ 782,614	$ 52,352	$ 696,887	$ 42,126
Physical Damage	83,830	9,147	72,087	—
	866,444	61,499	768,974	42,126
Discontinued Operations				
Personal/Commercial	8,998	—	9,370	
	$ 875,442	$ 61,499	$ 778,344	$ 42,126

The provision for unpaid claims includes $562.0 million (2001 - $358.1 million) in unpaid personal injury protection plan (P.I.P.P.) and pre-P.I.P.P. accident benefits. This provision is discounted to reflect the time value of money using various interest rates as follows:

Benefits	Interest Rate Assumptions
Pre-P.I.P.P. Weekly Indemnity	8.0% for nine years and 2.0% thereafter
Pre-P.I.P.P. Other than weekly indemnity, P.I.P.P. Death and Impairment	By year – 5.75%, 5.40%, 5.05%, 4.70%, 4.35% and 4.00% thereafter
P.I.P.P. Other than death and impairment	3.0% for one year and 2.0% thereafter

Net incurred claims and adjustment expenses include losses from catastrophes of $5.0 million (2001 – Nil). Catastrophes are an inherent risk to the Corporation and may contribute materially to the year-to-year fluctuations in the Corporation's results of operations and financial condition when they occur.

Unpaid claim liabilities are carried at a value which reflect their remaining estimated ultimate costs for all accident years.

Changes in the estimate of net unpaid claims, for the Automobile Insurance Division, recognized during the fiscal year ended February 28, 2002 for prior years are as follows:

	ACCIDENT YEARS				
	2001	2000	1999	1998 AND PRIOR	TOTAL
	(in thousands of dollars)				
Net unpaid claims (valuation estimate as at February 28, 2001)	$ 218,885	$ 100,095	$ 81,937	$ 324,080	
Net payments for the year	88,855	15,228	9,394	30,816	
	130,030	84,867	72,543	293,264	
Net unpaid claims (revised valuation estimate as at February 28, 2002)	116,018	86,921	74,105	297,373	
(Redundancy) Deficiency	$ (14,012)	$ 2,054	$ 1,562	$ 4,109	$ (6,287)
Prior years (redundancy) deficiency		$ (20,033)	$ (7,455)	$ (4,661)	$ (32,149)

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As of the balance sheet date, the present value of expected payments total $107.9 million (2001 - $94.5 million) based on various dates of purchase. The Corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 28, 2002 are $0.4 million (2001 - $4.2 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

10 | INVESTMENT INCOME, NET

	2002	2001
	(in thousands of dollars)	
Total investment income	$ 71,887	$ 86,412
Less allocation to:		
Discontinued operations	124	142
Provision for pension benefit plan	3,876	2,972
Investment income, net	$ 67,887	$ 83,298

11 | DISCONTINUED GENERAL INSURANCE OPERATIONS

The Corporation discontinued writing reinsurance assumed business effective November 18, 1987 and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001 the Corporation accepted a third party offer to purchase the reinsurance assumed business from the Corporation. Under the terms of the agreement, the Corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the uncommuted reinsurance assumed treaties written by the Corporation for the period July 1, 1975 to November 18, 1987 including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the Corporation in the event of the third party's insolvency. As at February 28, 2001 the provision for reinsurance assumed has been included as part of "Due to other insurance companies" on the balance sheet of the Corporation.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in a net income of $0.4 million in 2002 (net loss of $0.1 million in 2001). Included in the provision for unpaid claims is $9.0 million (2001 - $9.4 million) relating to discontinued operations.

12 | SURPLUS DISTRIBUTION

On December 4, 2000 the Public Utilities Board of Manitoba approved the Corporation's 2001/2002 Basic Insurance rate application which included a one-time surplus distribution of 16.6% on motor vehicle premiums renewed during the current fiscal year. To fund the surplus distribution an amount of $80.8 million (note 14) was allocated from the basic insurance rate stabilization reserve to the statement of operations and retained earnings.

13 | NET INCOME (LOSS) FROM ANNUAL OPERATIONS

The net income (loss) from annual operations by line of business is as follows:

	2002	2001
	(in thousands of dollars)	
Basic insurance	$ (11,707)	$ 38,100
Extension insurance	(11,606)	(6,130)
Special risk extension	6,821	14,658
Discontinued operations	436	(148)
	(4,349)	8,380
Net income (loss) from annual operations	$ (16,056)	$ 46,480

14 | BASIC INSURANCE RATE STABILIZATION RESERVE

	Note	2002	2001
		(in thousands of dollars)	
Balance beginning of year		$ 142,993	$ 104,893
Net income (loss) from annual operations	13	(11,707)	38,100
Surplus distribution	12	(80,825)	—
		(92,532)	38,100
Balance at end of year		$ 50,461	$ 142,993

15 | FAIR VALUE DISCLOSURE

The fair value of financial assets and liabilities, other than cash and investments (note 4) and provision for unpaid claims (note 9) approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

16 | EXTERNAL ATTEST AUDITOR AND EXTERNAL ACTUARY COSTS

The Basis of Reporting note (note 2) provides information on the appointment of the external attest auditor and external actuary. In the normal course of business, and in addition to the annual attest audit of the Corporation's financial statements and valuation of policy liabilities, the external attest auditor and external actuary provided consulting services to the Corporation.

Costs incurred for services rendered are:

	2002	2001
	(in thousands of dollars)	
EXTERNAL ATTEST AUDITOR		
Attest Audit Fees	$ 101	$ 99
Consulting Fees	117	27
Total	$ 218	$ 126
EXTERNAL ACTUARY		
Valuation of Policy Liabilities Fees	$ 58	$ 49
Actuarial Consulting Fees	26	173
Management Consulting Fees	81	71
Total	$ 165	$ 293

17 | SUBSEQUENT EVENT

Commencing March 1, 2002 and annually thereafter on March 1, the Corporation will transfer to the Basic Insurance Rate Stabilization Reserve, Special Risk Extension retained earnings in excess of the approved target level. The approved target level has been established by the Board of Directors to be $53.0 million for the three year period ending February 28, 2005.

At March 1, 2002 the transfer will approximate $15.0 million.

18 | COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the current year financial statement presentation.

AUDITORS' REPORT

To the Workers Compensation Board of Manitoba

We have audited the balance sheet of the Workers Compensation Board of Manitoba as at December 31, 2001 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2001 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
Winnipeg, Manitoba
March 1, 2002

BALANCE SHEET

December 31, 2001

(In thousands of dollars)	2001	2000
Assets		
Cash – Note 3	$ 2,025	$ 1,500
Receivables – Note 4	22,694	21,881
Investment portfolio – Note 5	712,531	704,353
Deferred assessments	20,872	23,348
Capital assets – Note 6	13,046	13,665
	$ 771,168	$ 764,747
Liabilities and Fund Balances		
Payables and accrued liabilities – Note 7	$ 12,896	$ 12,080
Benefit liabilities – Note 9	683,131	675,084
Total liabilities	696,027	687,164
Rate stabilization fund balance – Note 10	55,123	57,565
Accident fund balance – Note 10	20,018	20,018
	$ 771,168	$ 764,747

Signed on behalf of the Board

Wally Fox-Decent

Wally Fox-Decent
Chairperson, Board of Directors

Bruno Zimmer
Finance Committee of the Board of Directors

The accompanying notes are an integral part of the financial statements.

STATEMENT OF OPERATIONS

Year Ended December 31, 2001

(In thousands of dollars)	2001	2000
Revenue		
Premiums – Class E employers	$ 126,024	$ 119,582
Premiums – Self-insured employers	17,058	16,388
Total premium revenue	143,082	135,970
Investment income required to support actuarially determined benefit liabilities – Note 5	50,570	49,057
Investment income exceeding actuarial requirement – Note 5	3,500	21,300
Total investment income	54,070	70,357
Total revenue	197,152	206,327
Expenses		
Claim costs incurred – Note 9	149,729	157,502
Operating expenses – Note 11	47,389	44,907
Total expenses	197,118	202,409
Operating surplus before deferred assessments	34	3,918
Decrease in deferred assessments	(2,476)	(3,457)
Operating (Deficit) Surplus	$ (2,442)	$ 461

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN FUND BALANCES

Year Ended December 31, 2001

(In thousands of dollars)		
Rate Stabilization Fund Balance		
Balance at beginning of year	$ 57,565	$ 57,104
Allocation from operating (deficit) surplus	(2,442)	461
Balance at end of year	$ 55,123	$ 57,565
Accident Fund Balance		
Balance at beginning of year	$ 20,018	$ 20,018
Allocation from operating (deficit) surplus	0	0
Balance at end of year	$ 20,018	$ 20,018

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2001

(In thousands of dollars)	2001	2000
Operating Cash Flows		
Premiums from employers	$ 142,270	$ 135,199
Investment revenue	30,280	33,633
Payments to claimants or third parties on their behalf	(141,682)	(132,855)
Purchases of administrative goods and services	(46,036)	(42,134)
Net cash used by operating activities	(15,168)	(6,157)
Investing Cash Flows		
Proceeds on disposal of investments	666,974	1,115,843
Purchase of investments	(648,116)	(1,103,415)
Capital asset acquisitions, net of disposals	(3,165)	(3,561)
Net cash provided by investing activities	15,693	8,867
Net increase in cash	525	2,710
Cash at beginning of year	1,500	(1,210)
Cash at end of year – Note 3	$ 2,025	$ 1,500

The accompanying notes are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2001

($ amounts in thousands of dollars unless otherwise noted)

1. Nature of Operations

The Workers Compensation Board of Manitoba (the Board) operates under the authority of *The Workers Compensation Act*. The Board is responsible, in accordance with the provisions of the Act for:

- Administering payments to injured workers and suppliers of services to injured workers
- Levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims
- Investing surplus funds.

An independent Workers Compensation Appeal Commission is established under the Act to make final rulings on any appeals pertaining to the Board's assessment or benefits decisions.

The Board's mission is to provide superior compensation services to Manitoba workers and employers in a manner that is sensitive, responsive and effective in order to minimize the impact of workplace injuries.

The Board's funding policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the Act and that annual influences do not unduly distort the funding process. The Board is committed to operating on a fully-funded basis to a level-funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level fashion over the worker's period of exposure to the elements which lead to the injury or disease.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, which requires the Board to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. The Board's significant accounting policies are as follows:

Investments

Short-term investments are carried at cost. The remaining investments are recorded at cost adjusted toward market value using the moving average market method. Unrealized and realized gains and losses are deferred and amortized on a straight-line basis over 60 months. Interest and dividend income are recognized in the period earned.

Deferred Assessments

Deferred assessments represent the Board's estimate of premiums which will be received in the future from the self-insured employers to fund the future costs of existing claims that have arisen from their employees. The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight-line basis over their estimated useful lives, as follows:

Computer equipment	3 – 5 years
Systems development	3 – 5 years
Furniture, fixtures and equipment	5 years
Building renovations	10 years
Building	40 years

Employee Future Benefits

The cost of providing pension and other post-employment benefits to employees is recorded as an expense in the period in which employees' services are rendered. The corridor approach is used to record actuarial gains and losses for both the pension plan and other post-employment benefits. Under this approach, the annual actuarial gains and losses are aggregated and, if that amount exceeds 10% of the greater of plan assets or liabilities, the excess amount is amortized over the expected average remaining service life of the covered employees.

Benefit Liabilities

The Board's independent consulting actuary conducts a review of and reports on the benefit liabilities of the Board at each year-end. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and provisions for the future expenses of administering the existing claims. The figures are estimates made from current information in accordance with procedures prescribed by the Canadian Institute of Actuaries.

Premium Revenue

The operations of the Board are categorized, in accordance with the Act, into Class E (general employers pool) and several classes of self-insured employers. Employers registered within Class E are subject to collective liability, and assessment premiums are determined by applying applicable industry assessment rates to the employers' reported payrolls for the current year.

Self-insured employers, principally government bodies and railways and their subsidiaries, are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of the self-insured employers.

Foreign Currency Translation

Assets and liabilities, with the exception of investments, denominated in foreign currency are translated into Canadian dollars at the exchange rate in effect at the balance sheet date. The foreign currency exchange gains and losses for investments are recorded in the same manner as the related investment gains, losses, revenues or expenses.

3. Cash

	2001	2000
Money market instruments	$ 33	$ 21
Bank balances	3,813	3,465
Cheques issued and outstanding	(1,821)	(1,986)
	$ 2,025	$ 1,500

The Board has established an operating line of credit with its principal banker in the amount of $6 million. Advances on the line of credit bear interest at the bank's prime interest rate. The Board has also established a revolving credit facility with the Treasury Division of the Province of Manitoba in the amount of $40 million. Loan advances bear interest at the Province's preferred lending rate. Both credit facilities are unsecured.

4. Receivables

	2001	2000
Premiums for Class E employers	$ 19,368	$ 17,272
Allowance for doubtful accounts	(1,676)	(1,841)
	17,692	15,431
Prepaid employee pension plan costs	93	56
Premiums for self-insured employers	1,983	2,260
Mortgages	1,400	2,290
Sundry	1,526	1,844
	$ 22,694	$ 21,881

Mortgages receivable bear interest at a rate of 6.0% per annum and are due in 2002 and 2003.

5. Investment Portfolio

The book value and the estimated fair value (market value) of the investments are:

	2001				2000			
	Book Value	**Estimated Fair Value**	**Average Term to Maturity (years)**	**Market Rate of Return**	**Book Value**	**Estimated Fair Value**	**Average Term to Maturity (years)**	**Market Rate of Return**
Cash and Short-Term Investments	$ 38,038	$ 38,038	0.1	5.2%	$ 26,808	$ 26,808	0.2	5.7%
Bonds								
Government of Canada	140,826	144,745	–	–	164,645	167,208	–	–
Provincial	76,406	79,073	–	–	83,270	84,743	–	–
Corporate	106,845	109,009	–	–	110,512	110,982	–	–
	324,077	332,827	9.3	8.3%	358,427	362,933	10.1	11.2%
Mortgages	8,167	7,889	1.5	7.0%	8,372	8,229	2.7	5.5%
Real Estate	40,193	42,599		15.3%	17,489	17,459		12.8%
Equities								
Canadian	181,032	153,878	–	(4.3%)	163,479	154,330	–	17.6%
U.S.	51,408	59,377	–	0.7%	84,763	87,023	–	14.4%
Europe, Australia and Far East	120,448	101,664	–	(11.7%)	116,047	115,158	–	(5.9%)
Emerging markets	8,480	8,019	–	(0.2%)	8,272	8,033	–	(15.8%)
	361,368	322,938	–	(6.6%)	372,561	364,544	–	8.0%
Total	771,843	$ 744,291	–	1.9%	783,657	$ 779,973	–	8.1%
Deferred realized gains	(59,312)				(79,304)			
Net Book Value of Investments	$ 712,531				$ 704,353			

Reconciliations of the changes for the year in the deferred unrealized and realized gains (losses) balances are as follows:

	2001	2000
Deferred Unrealized Gains (Losses)		
Balance, beginning of year	$ (3,684)	$ 27,337
Unrealized net losses for the year	(25,854)	(21,425)
	(29,538)	5,912
Amortization during year	1,986	(9,596)
Balance, end of year	$ (27,552)	$ (3,684)
Deferred Realized Gains		
Balance, beginning of year	$ 79,304	$ 62,226
Realized net gains for the year	8,509	47,754
	87,813	109,980
Amortization during year	(28,501)	(30,676)
Balance, end of year	$ 59,312	$ 79,304
Investment Income		
Investment income was derived from the following sources:		
Cash and short-term investments	$ 1,810	$ 3,180
Bonds	19,724	22,537
Mortgages	673	711
Real estate	3,225	1,399
Canadian equities	2,415	2,118
Foreign equities	3,137	3,754
Amortization of deferred unrealized (losses) gains	(1,986)	9,596
Amortization of deferred realized gains	28,501	30,676
Loan interest	(183)	(65)
Expenses	(3,246)	(3,549)
Investment income	$ 54,070	$ 70,357

Based on the 7% discount rate (2000 – 7%) used to actuarially determine the benefit liabilities, the required investment return on average investment assets is $50.6 million (2000 – $49.1 million). Total investment income of $54.1 million (2000 – $70.4 million) exceeded the actuarial requirement by $3.5 million (2000 – $21.3 million). The analysis of investment income presented in the Statement of Operations has been disclosed for informational purposes. This provides a comparison of the return on investments required to support benefit liabilities and the excess of actual returns over this amount.

Market Risk

The Board invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Board does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

Credit Risk Management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 97% (2000 – 96%) have at least an A credit rating. The Board does not anticipate that any borrowers will fail to meet their obligations.

Securities Lending

The Board may lend, for fee income, any of its investments to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105% of the market amount of the investment instruments borrowed. As of December 31, 2001 secured loans amounted to $25.7 million (2000 – $75.8 million).

Foreign Exchange Risk Management

The Board has certain investments denominated in foreign currencies. During 2001 the Board did not undertake hedging strategies for the currency risk of foreign investments and currency fluctuations influenced short-term returns. These fluctuations are not expected to affect the long-term position of the investment portfolio.

Interest Rate Risk Management

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. The table at the beginning of this note discloses the remaining term to maturity of the Board's fixed term investments.

6. Capital Assets

	2001			2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer equipment	$ 13,918	$ 11,107	$ 2,811	$ 3,114
Systems development projects	8,735	5,843	2,892	2,887
Furniture, fixtures and equipment	2,421	2,052	369	418
Building renovations	3,109	1,110	1,999	2,275
Building and land	5,133	158	4,975	4,971
	$ 33,316	$ 20,270	$ 13,046	$ 13,665

7. Payables and Accrued Liabilities

	2001	2000
Accounts payable and accrued liabilities	$ 2,496	$ 3,214
Claimant annuity program	4,255	3,256
Community Initiatives and Research Program grants	1,941	1,815
Deposits from self-insured employers	1,333	1,384
Employee vacation entitlements	1,244	931
Other payables	1,172	1,298
Sick leave plan	455	182
	$ 12,896	$ 12,080

8. Employee Future Benefits

The Board has a defined benefit plan that provides pension benefits to employees based on length of service and highest average earnings. The Board also has a benefit plan that provides for a payment of accumulated sick leave credits to employees that meet established criteria upon termination or retirement.

Information about the Board's employee benefit plans as at December 31, is as follows:

	Pension Plan		Sick Leave Plan	
	2001	2000	2001	2000
Fair value of plan assets	$ 44,033	$ 42,728	$ –	$ –
Accrued benefit obligation	45,267	40,278	1,652	1,514
Funded status – plan (deficit) surplus	$ (1,234)	$ 2,450	$ (1,652)	$ (1,514)
Accrued benefit asset (liability)	$ 93	$ 56	$ (455)	$ (182)

As the Board has restricted access to the actuarially determined pension plan surplus as at January 1, 2000, the Board has determined an expected future benefit of $675 thousand existed at the date of adoption of the standard and it is this amount that is being amortized to operations.

While the obligation to pay sick leave credits is unfunded in the sense that the Board does not hold segregated assets to fund the obligation, the Board itself has sufficient assets to support its liabilities.

The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligations are:-

	Pension Plan		Sick Leave Plan	
	2001	2000	2001	2000
Discount rate	7.0%	7.0%	7.0%	7.0%
Expected long term rate of return on plan assets	7.5%	7.5%	7.0%	7.0%
Rate of compensation increase	5.0%	5.0%	2.75%	2.75%
Expected average remaining service life (in years)	15	15	15	15

Other information about the Board's employee benefit plans is as follows:

	Pension Plan		Sick Leave Plan	
	2001	2000	2001	2000
Plan expense	$ 1,346	$ 1,177	$ 307	$ 276
Employer contributions	1,383	1,233	–	–
Employee contributions	1,165	1,035	–	–
Benefits paid	1,140	1,511	35	94

During the year, the Board changed its accounting policy for the recognition of actuarial gains and losses for the pension plan. The effect of the change in policy is not material to the financial statements.

9. Benefit Liabilities

An analysis of the components of and changes in benefit liabilities is as follows:

	2001						2000
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care Benefits	Rehab-ilitation Services	Total	Total
Balance at beginning of year	$ 81,701	$ 354,128	$ 151,992	$ 69,694	$ 17,569	$ 675,084	$ 650,437
Add: Claim costs incurred							
Current year	62,805	4,334	7,336	23,836	5,459	103,770	111,857
Prior years	(18,115)	46,871	5,361	12,644	(802)	45,959	45,645
	44,690	51,205	12,697	36,480	4,657	149,729	157,502
Less: Claim payments made							
Current year	21,499	215	182	10,214	20	32,130	35,477
Prior years	26,622	44,489	14,426	20,286	3,729	109,552	97,378
	48,121	44,704	14,608	30,500	3,749	141,682	132,855
Balance at end of year	$ 78,270	$ 360,629	$ 150,081	$ 75,674	$ 18,477	$ 683,131	$ 675,084

The liability for short-term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long-term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, and estimated future pension payments. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace accidents. Health care liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are supplied externally to the Board.

Included in long-term disability is the Board's liability, in the amount of $60.4 million (2000 - $60.4 million) for the future cost of claims relating to certain latent occupational diseases which may have occurred in the current year or prior years, but which may not be recognized and reported for a number of years due to the extended latency periods of such diseases.

Also included in benefit liabilities is a provision in the amount of $40.0 million (2000 – $39.3 million) for the future cost of administering existing claims.

The actuarial present value of future benefit payments reflects management's long-term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

10. Fund Balances

The Rate Stabilization Fund balance protects the Board from the risk that a catastrophic event, causing either an increase in the value of the liabilities or a decrease in the value of assets, could unfairly burden Class E employers and potentially cause the accident fund balance to become unfunded or prompt the Board to consider exceptional increases in assessment rates.

The Accident Fund balance protects the Board and its stakeholders from general business risks and is collectively attributable to the Class E employers.

11. Operating Expenses

	2001	2000
Salaries, employee benefits and training	$ 28,718	$ 26,166
Information technology service fees	1,915	2,383
Professional fees	1,119	1,887
Occupancy costs	1,656	1,614
Office supplies and services	1,322	1,088
Communications	970	1,016
Donations	88	121
Amortization of capital assets	3,784	3,389
Administrative expenses	39,572	37,664
Recoveries from the Government of Canada	(592)	(522)
Community Initiatives and Research Program grants	1,000	975
Appeal Commission	986	931
Workplace Safety & Health, and other (Note 12)	6,423	5,859
Total operating expenses	$ 47,389	$ 44,907

Of the total operating expenses, $3.0 million (2000 – $3.3 million) is allocated to the self-insured employers based on the current year's transaction volumes.

The Board administers the Government Employees Compensation Act program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of administration expenses.

During 2001, the Board approved 10 grants to fund research and education projects, totalling $1.0 million that will benefit both injured workers and employers (2000 – 8 grants totalling $975 thousand).

12. Related Party Transactions

Pursuant to *The Workplace Safety and Health Act*, the Province may pay the expenses incurred in the administration of that Act out of the consolidated fund and may, subsequently, recover such portion as it may determine from the class funds under *The Workers Compensation Act*. For 2001, the amount charged to operations under this provision is $5.5 million (2000 – $5.1 million).

Also, under Section 84.(1) of *The Workers Compensation Act*, the Province may pay the costs incurred in respect of worker advisors and may recover them from the class funds. For 2001, the amount charged to operations under this provision is $875 thousand (2000 – $795 thousand).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the Board may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self-insured employer under *The Workers Compensation Act*. Account balances resulting from these transactions are included in the financial statements and are settled on normal trade terms.

Included in the Board's investment portfolio are guaranteed debentures issued by the Province of Manitoba, in the amount of $18.4 million (2000 – $21.4 million).

13. Benefit Liabilities for Self-Insured Employers

Note 9 contains a complete description of the components of the Board's benefit liabilities for all employers. An analysis of the portion relating to the self-insured employers is as follows:

	2001						2000
	Short-Term Disability	Long-Term Disability	Survivor Benefits	Health Care Benefits	Rehabilitation Services	Total	Total
Balance at beginning of year	$ 5,997	$ 37,207	$ 27,492	$ 7,152	$ 1,092	$ 78,940	$ 79,638
Add: Claim costs incurred							
Current year	5,060	187	828	3,403	371	9,849	10,056
Prior years	553	2,550	2,220	772	(148)	5,947	5,277
	5,613	2,737	3,048	4,175	223	15,796	15,333
Less: Claim payments made							
Current year	2,145	23	29	1,097	2	3,296	3,220
Prior years	2,962	4,649	3,311	2,526	199	13,647	12,811
	5,107	4,672	3,340	3,623	201	16,943	16,031
Balance at end of year	$ 6,503	$ 35,272	$ 27,200	$ 7,704	$ 1,114	$ 77,793	$ 78,940

Included in the premiums and claim costs are payments in the amount of $2.4 million (2000 – $2.7 million) made by self-insured employers directly to claimants on the Board's behalf. These amounts are reported to the Board for inclusion in these financial statements.

Included in the benefit liabilities balance is $6.3 million (2000 – $6.3 million) for the self-insured employers' share of the long latent occupational disease liability and $3.3 million (2000 – $3.4 million) for the future cost of administering existing claims.